





## EUROPEAN NEWS

## East German cash incentives begin to boost private sector

BY LESLIE COLT IN BERLIN

THE East German Government's financial incentives to butchers, bakers, plumbers and other trades people to open private shops are beginning to take hold.

Neues Deutschland, the main Communist newspaper, said yesterday that the number of East Germans privately employed in the trades sector rose by 11,844 to nearly 257,000 (without apprentices) between 1980 and 1984.

Unlike other Comecon countries, East Germany did not abolish private trades people, tailors and restaurants in one stroke after World War II. Fiscal and other pressures, however, reduced the number of individual businesses from 1.6m in 1955 to 176,300 last year.

In 1976, however, the Government modified its ideology and introduced measures to halt a

deterioration in supplies and services which accompanied the decline in the number of private craftsmen.

Cheap loans and a one-year tax exemption were offered for newly-founded private tailor shops, shoemakers and other trades.

The fall in the number of private shops gradually levelled off, and Neues Deutschland said that between 1981 and last year, 13,438 trades people had set themselves up in private business.

Last May, the Government offered existing private businesses and restaurants low interest loans to modernise their facilities.

The tax-exempt period was prolonged to two years for new companies. Yesterday the newspaper quoted an old German saying that trade had a "golden foundation."

## Netherlands closer to deployment of cruise

BY LAURA RAUN IN AMSTERDAM

THE NETHERLANDS edged closer yesterday to final approval of the deployment of nuclear missiles when a majority of the parliament found nothing unconstitutional about a draft Dutch-US accord on actual launching of the weapons.

Mr Joop de Boer, defence specialist of the Christian Democrats, senior partners in the governing coalition, said the lack of constitutional conflicts meant no two-thirds majority was necessary for parliamentary approval of the accord.

Passage by simple majority means that the Christian Democrats, their Liberal Party partners and the right-wing parties are virtually certain to garner the necessary votes.

The opposition Labour Party had argued that the accord conflicted with the constitution and therefore required approval by two thirds of the MPs. The Labour Party may submit a motion today to that effect although such an effort seems doomed.

The five-year accord is likely to be approved by a slim parliamentary majority after November when the Cabinet is expected to agree to the stationing of the 48 U.S. cruise missiles on Dutch soil.

The coalition MPs previously expressed their support for the accord, dealing with the widely-opposed missiles during an initial debate three weeks ago.

The Christian Democrat-Liberal partners have not been swayed by

the Labour Party's arguments that Holland's sovereignty is affected because the U.S. President would have ultimate power to put the firing button for the missiles.

A Cabinet letter to Parliament outlining the launch accord nearly threw the Government into a crisis at the beginning of October, according to the Dutch press.

Long-standing differences between Mr Hans van den Broek, the Foreign Minister, and Mr Job de Ruiter, the Defence Minister, flared over the wording of Holland's influence in the actual firing of the missiles.

Mr van den Broek has taken the strongest line on the missiles, contending that deployment is all but guaranteed because too many Soviet SS-20 missiles remain in place despite the Soviet Union's recent announcement of a cut in the number.

The Dutch Government has said it finally would accept the long-delayed cruise missiles if more than 378 SS-20s were sited on November 1, 1985.

Approval of the medium-range missiles will not cost the Government much political cash because ultimate deployment would not occur until 1988, by which time a Soviet-US arms control treaty could reduce the number actually sited.

Delay or rejection, however, would further damage Holland's credibility within Nato.

## Kohl seeks U.S. assurances on Star Wars

BY RUPERT CORNWELL IN BONN

CHANCELLOR HELMUT KOHL yesterday began a five-day U.S. visit during which he will be seeking assurances from the Reagan Administration that will enable Bonn to participate formally in the Strategic Defence Initiative (SDI), the so-called Star Wars programme.

Like other Nato allies, West Germany was dismayed by the row within the Administration over whether SDI testing and development was compatible with the Anti-Ballistic Missile Right coalition, over whether Bonn should take part formally.

Such a stance might wreck on hopes of a successful summit in Geneva next month between

President Ronald Reagan and Mr Mikhail Gorbachev, and of the ensuing fall-out on East-West relations in general.

For the time being, the argument has been won by "doves" grouped around Mr George Shultz, the U.S. State Secretary, who are insisting on a restrictive interpretation of the treaty that would effectively limit SDI work to research alone.

But the conflict has only served to exacerbate the dispute here, stretching to within the Centre-Right coalition, over whether Bonn should take part formally.

NO 16-8/84

While he is in the U.S., the Chancellor will meet President

Reagan three times: twice at sessions of the heads of government of the leading western industrial powers (excluding France), and then bilaterally before he flies home.

His overriding concern will be to persuade Mr Reagan to do everything to ensure that the Geneva summit is not a failure, both in aspects which touch upon the SDI and in terms of a constructive response to the arms cuts proposals recently outlined by Mr Gorbachev.

Some dispute in Washington over how to interpret the ABM treaty has served to give new ammunition to sceptics and

opponents here of the SDI. These include Herr Hans-Dietrich Genscher, the Foreign Minister, who is already in Washington for talks.

The Chancellor, like West German industry, remains in favour of a framework agreement between Bonn and Washington governing participation in the SDI. But a final decision will not be taken before early next year, and may take the form only of a memorandum or a mere exchange of letters.

However, the SDI is not the only reason why West Germany is looking particularly anxiously at Geneva. A positive outcome could pave the way for a long

postponed visit here by President Erich Honecker of East Germany.

A trip planned for last autumn was cancelled after fierce Soviet pressure on East Berlin. But there have been several straws in the wind lately that Herr Honecker might come to West Germany at the end of this year or in the early part of 1986.

A successful meeting between Mr Reagan and Mr Gorbachev is reckoned to be an essential prerequisite. The would also imply some form of understanding on the SDI, to which East Germany, like the Soviet Union, is wholly opposed.

## Martens begins talks on coalition

By Paul Cheeswright in Brussels

MR WILFRED MARTENS yesterday started talks with party leaders on the formation of a new, Belgium Government, based on an economic and social programme which includes new cuts in government spending of Bfr 70bn (£910m) over the next two years.

Each day until a new coalition programme has been worked out he will be meeting in a chateau, in the Brussels suburbs, the presidents and senior ministers of his own Christian Democratic party, based in the Flemish north of Belgium. Social Christians from the French-speaking south and Liberals from both regions.

The aim is to present a coalition with a four-year programme of activity to Parliament when it reconvenes on November 15. The new Parliament reflects the success of the coalition parties in the general election ten days ago. Then they won 115 of the 212 seats.

Mr Martens presented a draft economic and social programme to the party leaders on Monday night. This will serve as the basis for the first discussions on a programme.

He is trying to forge an alliance around a programme which gives a stronger "human dimension," as the draft puts it, to a policy of continued economic restraint. Employment, particularly for the young, remains the dominant preoccupation.

His economic plans are set in a four-year context so that from 1987 there will be a budgetary saving of Bfr 117bn on an annual basis. The two largest components of this are savings on social security of Bfr 35bn and lower interest charges on government debt of Bfr 30bn. But he also wants the government to commit itself to a further Bfr 70bn of economies over a period of two years.

## Spain to press U.S. over bases

By David White in Madrid

SPAIN WILL put its case for a "progressive reduction" in the U.S. military presence on its territory at a first round of exploratory talks due to start here today.

Mr Felipe Gonzalez's government has insisted on getting talks under way well in advance of the planned referendum on Nato, which is expected to be held next March. Outbacks in the widely unpopular U.S. bases are part of the platform on which the Government will call on Spaniards to vote in favour of staying in the alliance.

However, the U.S. Administration has shown great reluctance to make any move on its Spanish bases before the issue of Spain's continued membership of Nato is settled.

In this light, this week's talks, headed by the U.S. ambassador, Mr Thomas Enders, and Mr Mariano Calal, a top Spanish Foreign Ministry official, are considered unlikely to advance beyond an exchange of views.

The U.S. stations about 12,000 military personnel in Spain, under a bilateral agreement renewed for five years in 1982 and revised in 1983 after the Socialist party came to power.

The Spanish side is expected to seek the transfer of part of the activity of the two principal air base facilities. These are at Torrejon, outside Madrid, where the U.S. has a military aircraft command and a tactical fighter unit, and at Zaragoza, an important tactical fighter training centre used by U.S. squadrons based elsewhere in Europe.

The proximity of both these bases to large cities has made them targets of frequent pacifist and anti-American protests. However, they are both regarded by U.S. defence officials as difficult and costly to replace.

The other main facilities are a standby air base at Moron in southern Spain and the Rota naval base near Cadix, used to support the U.S. Sixth Fleet in the Mediterranean.

Spanish withdrawal from the alliance — which Sr Gonzalez, despite his opposition to Nato when Spain joined in 1982, is intent on avoiding — would nullify the bilateral agreement in question.

A Plan to assassinate Sr Jose Barriomere, the Spanish Interior Minister, has been foiled by police in the Basque region, according to Spanish government representatives there.

The civil governor's office in Guipuzcoa, the Basque province bordering on France, said the plan by a commando of the Eta separatist organisation was uncovered when two of the four-member group were arrested at the weekend.

## EEC survey raises fears on over-capacity

BY PAUL CHEESWRIGHT IN BRUSSELS

MARKED INCREASES in capacity utilisation by industry in the European Community have not eliminated fears among company executives that there is too much plant and equipment in relation to expected output levels.

This was one of the key results in a survey of business confidence, carried out by the European Commission, as its habit each quarter.

The overall level of capacity utilisation climbed from 80.9 per cent in April to 82.5 per

cent in July, thus reaching a level only 1.4 percentage points below that of the previous cyclical peak touched in 1979-1980.

The UK, German and Dutch levels of utilisation have all been running higher than the Community average, while in the Netherlands and Ireland, the level has climbed over the 1979-80 peak.

Particularly in France, Belgium and Italy, industrialists became more gloomy over those months in the early summer about over-capacity.

In the Netherlands and Luxembourg, by contrast, the number of managers fearing constraints on their capacity is as great as the number concerned about surplus.

The pattern of activity is in any case irregular. The survey showed that slack is clearly apparent in sectors such as oil refining, shipbuilding, agricultural machinery, building materials and French car production — all sectors which are restructuring.

Against this, bottlenecks have been appearing in paper processing, chemicals, textile machinery, the knitting and wool sections of the textile industry, office machinery and rubber products.

Generally, orders have been picking up and, pulling all the figures together, Community industry had an order book in the third quarter of this year equivalent to 3.5 months' production. In the first quarter, the order book had equalled 3.2 months' production.

## Aid to non-associated nations stepped up

BY OUR BRUSSELS STAFF

THE EUROPEAN Community this year will spend Ecu 268m (£155m) on aid to developing countries in Asia, Africa and Latin America with which it does not have association agreements, the Commission said.

This compares with Ecu 218m allocated in 1984. Three-quarters of the funds went, as in previous years, to Asian countries, 20 per cent to Latin America, and 5 per cent to Angola and Mozambique. Now

that these two countries have become associated through the Lome Convention, funds previously earmarked for Africa will be put in reserve.

But the sums involved are a fraction of those provided for developing countries linked to the EEC in the Lome Convention, a vehicle for financial, technical and trade co-operation. The budget for the Lome countries between 1986 and 1990 is Ecu 7.4bn (£4.3bn).

Since the programme started in 1976, India has been the biggest recipient, according to the Commission's latest report, followed by Bangladesh, Thailand, Indonesia, Pakistan, Bolivia, Sri Lanka and Honduras. Another 22 countries have also received aid.

The report was published in the wake of a Community ministerial meeting with the Association of South East Asian Nations. Although the Commis-

sion said in its report on aid to non-associated countries that funds are granted to ensure a Community presence in major regions of the developing world, this ministerial meeting failed to reach any agreement on concrete methods to step up Community involvement in the area. Total aid to Asian countries and Asian itself from 1976 to 1984 was Ecu 190.1m out of Ecu 1.2bn for non-associated countries.

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## OVERSEAS NEWS

## U.S. envoy meets Bourguiba in bid to patch relations

BY FRANCIS GHILES IN LONDON

MR JOHN WHITEHEAD, U.S. Deputy Secretary of State, held talks with President Habib Bourguiba in Tunis yesterday on the third and last leg of a fence-mending tour including Italy and Egypt. The tour followed the row after the Israeli raid on the Palestine Liberation Organisation headquarters in Tunis and the hijacking of the liner Achille Lauro.

The authorities in Tunis have not mentioned the visit publicly for fear of inflaming public opinion in which President Bourguiba's initial justification of the Israeli raid still rages.

The Tunisian press continues to publish articles highly critical of U.S. behaviour, and has had warm

praise for Sig Bettino Craxi, the Italian Prime Minister, who has deemed the Israeli raid on Tunis. The media has also noted that Sig Craxi paid the price for having stood up to U.S. pressure for the extradition of Mohammed Abu Abbas, the Palestinian leader who has been accused of masterminding the hijacking of the Achille Lauro.

"The harm done to our country is enormous and can never be forgotten," the independent *Le Temps* newspaper said yesterday.

It was a sentiment echoed by Mahmoud Mestiri, Secretary of State for Foreign Affairs when he commented that there was a crisis in what have traditionally been warm and friendly relations between the two countries.

## Coalition unlikely, says Japanese party leader

BY JUREK MARTIN IN TOKYO

JAPAN'S fourth largest political group, the Democratic Socialist Party, has no intention of entering into a coalition with the ruling Liberal Democrats (LDP), according to Mr Saburo Tsukamoto, its chairman.

In a speech in Tokyo, Mr Tsukamoto quashed speculation that an apparent similarity of views with the LDP on issues such as defence spending could form the basis for any coalition.

It was up to the LDP, the DSP chairman said, to make the necessary approach. He doubted that either Mr Yasuhiro Nakasone, the Prime Minister, or any of the other aspiring LDP leaders was contemplating such an offer.

A year ago, Japanese politics were thoroughly shaken when it emerged that Mr Susumu Nakai, another LDP leader, had plotted to unseat Mr Nakasone in talks with other LDP elders and some members of the middle-of-the-road parties.

Since then, in the political manoeuvring that is gathering pace in advance of likely elections next summer, coalition talk has been quite constant.

At the weekend, however, Hosokawa, the third largest party and also closer to the LDP than the Socialists, produced a bill of particulars against Mr Nakasone which seemed to preclude any early getting together.

For its part, the DSP was last year even considering dropping the word "socialist" from its name.

But yesterday, Mr Tsukamoto, speaking with considerable directness, argued the party was still committed to a "socialist" (although not Marxist) philosophy.

Mr Tsukamoto had no words of encouragement, however, for the Socialist Party either, condemning particularly what he felt was its short-sighted defence policy.

He added, in words Mr Nakasone is constrained from using in public, that he thought the remaining issue of the 1 per cent of GNP ceiling on defence spending was by now a red herring.

## Peres peace call falls on stony ground

By Our Foreign Staff

A CALL for direct peace negotiations between Israel and Jordan issued by Mr Shimon Peres, the Israeli Prime Minister, has fallen on stony ground, not only in Amman but in Jerusalem as well. Not surprisingly, it was also rejected by the Palestine Liberation Organisation (PLO).

Speaking at the UN General Assembly on Monday, Mr Peres offered to go to Jordan's capital if necessary to seek peace and did not entirely rule out "the support of an international forum" to get the direct talks started.

His cautiously worded speech, which departed in no significant way from previous statements, caused a considerable outcry among right-wing political circles in Israel, including leading members of the Likud bloc which shares power in the Government coalition with Mr Peres's Labour Party.

Both Mr David Levy, a Deputy Premier, and Mr Yitzhak Mordechai, the Finance Minister, criticised Mr Peres for failing to specifically exclude the PLO from the peace proposals which he raised at the UN.

Mr Yitzhak Shamir, the Vice Premier, said in Luxembourg that he totally ruled out any international forum, even as a precursor to direct talks between the two countries.

A Jordanian Government spokesman in Amman was quoted yesterday as saying that Jordan rejects any unilateral peace settlement with Israel. Any partial or unilateral settlement with Israel "was rejected by the prime ministers of Jordan and Syria following a meeting on Monday, the spokesman said.

Mr Yasser Arafat, the PLO chairman, who was reported to be on his way to Cairo, also rejected bilateral negotiations. The call by the Israeli Premier was, according to Mr Arafat, designed to drive a wedge between Jordan and the PLO.

## South African black activist arrested as crackdown continues

BY ANTHONY ROBINSON IN JOHANNESBURG

SOUTH AFRICAN police continued their crackdown on political activists yesterday by arresting Mr Trevor Manuel, Western Cape secretary of the United Democratic Front (UDF) who emerged from weeks of underground activity last weekend to address a large funeral rally.

The arrest came as police reported two more deaths in the black squatter township of Crossroads after police fired on stone-throwing crowds. Over 65 people have been killed in the Western Cape over the last two months. Police yesterday reported a sharp increase in the use of firearms and petrol bombs by demonstrators in recent days which have seen marches by militant Western townships and attacks both on parked cars and on vehicles driving past the airport and other main roads.

In the Cape police made the first use of newly delivered water cannon and helicopters to disperse demonstrating students at the coloured University of the Western Cape. The new riot control equipment is designed to increase the efficiency of security force action while

limiting death and injuries. The demonstration was one of several as schools throughout the area in protest against threatened retaliatory action against radical school teachers by Mr Carter Ebrahim, the controversial coloured Minister for Education, whose department is insisting that students sit exams despite the closure of schools in the area for several weeks and a continuing school boycott in protest against "utter education".

Widespread incidents of stone throwing, arson and incivility were also reported from townships in the Eastern Cape and the Transvaal. In Soweto army and police reinforcements were called in to quell fighting between mostly Zulu immigrant workers living in hostels and local township inhabitants which cost several lives.

Meanwhile foreign diplomats were last night still awaiting the considered official response to the Commonwealth Conference proposals on South Africa following President P. W. Botha's rejection of a six-month timetable for abolition of apartheid and condemnation of "senseless" sanctions.

## Slowdown in Zimbabwe's economic growth forecast

BY TONY WALKER IN ZIMBABWE

ZIMBABWE'S largest bank, Standard Chartered, is predicting a marked slowdown in economic growth next year, partly as a result of the deteriorating regional situation in southern Africa caused by the crisis in South Africa.

In its October economic bulletin, Standard Chartered said that after a strong recovery with 8 per cent growth in real GDP this year, expansion would slow to no more than 3 per cent in 1986.

The authoritative bank review said that while the Zimbabwe Government had every reason to be satisfied with the success of its stabilisation programme, it

faced a formidable challenge in trying to sustain the economic upswing against a background of a deteriorating world economy and an escalating political and economic crisis in the region.

It warned that the South African situation would further deter private foreign investment in Zimbabwe and highlighted Zimbabwe's economic dependence on South Africa—19 per cent of Zimbabwe's trade is with South Africa, including 40 per cent of manufactured exports, while 93 per cent of foreign trade uses the South African transport system.

## Philippine deaths as rebels and army clash

Two soldiers and a rebel were reported killed yesterday in the central Philippines, and Government opponents protested the killing of a youth in a street march in Manila, AP reports from the Philippines.

The Philippine News Agency said a constable was shot dead and a policeman wounded when Communist guerrillas fired on a police team clearing a protest roadblock.

Another soldier was killed when rebels attacked a military helicopter. Elsewhere, a guerrilla was killed as he was shooting motorists' tyres.

Yesterday's Manila demonstration was organised by youth and farm groups. They pickedet police headquarters to denounce the killing of a student in Monday's clash between police and stone-throwing demonstrators.

## Stable Opec prices forecast

THE CHAIRMAN of the Organisation of Petroleum Exporting Countries (Opec) said yesterday that the organisation's members should not expect 1986 oil prices to change from 1985 levels, AP reports from Jakarta.

Mr Subroto, who is also chairman of Indonesia's Ministry of Mines and Energy, said oil prices have been stable in the last three months and predicted that the situation would last until the end of the year.

## China industrial growth slows

CHINA'S industrial growth rate slowed in the third quarter of this year due to measures taken by the Government, officials said in Peking yesterday. They said total industrial output in the first nine months was 21.1 per cent higher than in the period last year.



## EGOLI

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### Renunciation by Egoli of its entitlement to 12 000 000 ordinary shares in West Witwatersrand Gold Holdings Limited ("Witwits") at a price of 100 cents per share in favour of Egoli shareholders

In an announcement dated 4 October 1985, shareholders were advised that Egoli has renounced its entitlement to 12 000 000 ordinary shares in Witwits and that the Witwits shares would be offered to Egoli shareholders by way of a renounceable rights offer.

The Committee of the Johannesburg Stock Exchange ("the JSE") has granted a listing of the renounceable (nil paid) split letters of allocation in respect of the 12 000 000 ordinary Witwits shares and subsequently the 12 000 000 ordinary Witwits shares to be issued in terms of the rights offer as well as the 48 000 000 shares in Witwits currently in issue. These shares will be listed under the "Mining—Gold—West Witwits" sector on the JSE list, under the abbreviated name "Witwits".

The holders of Egoli ordinary shares are being offered 50 ordinary shares in Witwits for every 100 shares held in Egoli at a price of 100 cents per Witwits share.

The important dates for the rights offer approved by the JSE are:

	1985
Last day to register for the rights offer renounced by Egoli in favour of its shareholders	Friday, 25 October
Dealings commence in letters of allocation on the JSE	Monday, 28 October
Circulars by Egoli and letters of allocation posted	Friday, 1 November
Rights offer opens at 09h30 on the JSE	Friday, 1 November
Last day for dealing in letters of allocation on the JSE	Wednesday, 20 November
Last day for splitting renounceable (nil paid) letters of allocation in Johannesburg by 14h30 on	Thursday, 21 November
Dealings in Witwits ordinary shares commence on the JSE	Thursday, 21 November
Nights offer closes—payments to be made by 14h30 in Johannesburg on	Friday, 22 November
Post-acceptance postmarked on or before Friday, 22 November will be accepted until 14h30 on	Wednesday, 27 November
Witwits share certificates posted on or about	Monday, 2 December

A letter of allocation and a circular giving full details of the renunciation by Egoli will be posted to the ordinary shareholders of Egoli on Friday, 1 November 1985.

The rights issue circular and prelisting statement will be available for inspection as from 25 October at the registered office of the company and Davis Borkum Hare & Co. Inc.

By order of the board

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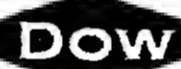
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## AMERICAN NEWS

Soviet missile  
'in breach of  
Salt 2 treaty'

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

MR CASPAR WEINBERGER, the U.S. Defence Secretary, yesterday charged the Soviet Union with deploying a new, mobile, intercontinental missile, in clear breach of the 1979 Salt 2 strategic arms limitation treaty.

Pentagon officials denied that their accusation was timed to influence next month's summit meeting between President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader, at which arms control will be a major topic. They contended that it was intended to illustrate the difficulty of negotiating meaningful arms control agreements with the Soviet Union.

Hitherto the U.S. has said that the new missile, the SS-25, was "nearing deployment". Yesterday, however, in a speech to the Ethics and Public Policy centre, a conservative think tank, Mr Weinberger said: "I can officially confirm that one of their new ICBMs, the mobile SS-25, is now being deployed and is an unquestionable violation of Soviet assurances given to the U.S. under the Salt 2 accord."

Washington maintains that by developing two new intercontinental ballistic missiles, the SS-25 and the SSX-24, Moscow is violating a treaty provision limiting the two sides to one new ICBM each.

Mr Weinberger for the first time dropped the "X" from the SS-25's designation, signifying that the missile had moved from the experimental to the operational stage. The SSX-24, which can carry up to 10 warheads, is roughly comparable to the U.S. MX, which is due to start deployment at the end of 1986.

The SS-25 is a smaller, single-warhead missile that can be transported by road on special mobile launchers. Its possible American equivalent, the Midgetman, is still under study and could not be operational until the early 1990s.

Moscow denies that it has breached the treaty, claiming that the SS-25 is not a new mis-



Weinberger: SS-25 now deployed

ile, but a modernised version of the older, two-warhead SS-13.

The U.S. has flatly rejected that contention, saying that the SS-25 is significantly different in size, range and propellant. Mr Weinberger said the SS-25 deployment was "not, sadly, the only case of a Soviet violation of arms control agreements."

He renewed America's charges that the construction of a new Soviet radar system at Krasnoyarsk in central Siberia is "a blatant violation" of the 1972 anti-ballistic missile (ABM) treaty.

The difficulty of verifying and enforcing arms control agreements is one of the main arguments used by hardliners in Washington to challenge the desirability of new accords with Moscow.

In publicising the reported SS-25 deployment, Mr Weinberger was probably hoping to strengthen the U.S. negotiating position, and stiffen Mr Reagan's resolve, before his meeting with Mr Gorbachev in Geneva.

Many arms control experts, however, believe that a move to smaller, mobile ICBMs, like the SS-25 and the Midgetman, could help to stabilise the nuclear balance between the two superpowers.

## The peacemaker retains its touch

BY OUR UN CORRESPONDENT

THE United Nations celebrates its 40th birthday tomorrow, a very different institution from the one envisaged by Churchill, Roosevelt and the other founding fathers — and certainly much less effective. Nevertheless it remains an important element in global insurance against a recurrence of the fateful events that brought it into being.

If there has been a universal theme in the speeches delivered by scores of heads of state and government now attending the UN commemorative ceremonies it is that, despite all its manifold shortcomings, the organisation remains an indispensable element in international relations.

Adlai Stevenson, who was President Kennedy's UN representative, used to say that if such an institution did not exist it would have to be invented. Herr Hans-Dietrich Genscher, West Germany's foreign minis-

ter, used almost the same words in his General Assembly speech on Monday and there is a good chance that they will find an echo also in the address President Ronald Reagan is due to deliver to the UN tomorrow.

It will be Mr Reagan's fourth appearance in the General Assembly, a clear sign that even if the U.S.—or, for that matter, the Soviet Union—would prefer that the UN not become too adventurous the organisation remains important in great power perceptions.

In fact, public opinion polls have consistently found a substantial majority of Americans support the UN and would like to see it stronger.

It is a simplification to claim that without the world body there might have been a third world war by now — the fact is there have been 140 smaller conflicts since 1945. But, in the view of many members, the UN's capacity for defusing

crises has served the international community well over the years.

The 1956 Suez debacle, the 1962 Cuban missile crisis and the 1973 Middle East war, each with its potential for broader conflict, are often cited as examples of UN peacemaking at its best.

UN armies maintain uneasy truces as buffers between antagonists in several places — there have been 13 such peacekeeping operations, including those in Korea and the Congo. The world body is also often asked to send observers and fact-finders, whose very presence can help to hold dangerous tensions in check.

The secretary general's "good offices" are often sought. At the present time, the incumbent Sr Javier Perez de Cuellar, is the only person actively engaged in serious, albeit quiet, diplomatic efforts to solve the problems of Cyprus

and Afghanistan and end the Gulf conflict. In each case both sides have accepted his role as neutral intermediary.

Still, Sr Perez de Cuellar is faulted by some for not being more courageous with diplomatic initiatives, bearing in mind that he came to office almost four years ago proclaiming that, as he would serve only a single five-year term, this would make him a freer agent.

His predecessor, Kurt Waldheim, was often accused of adjusting his diplomatic sights to longer-term re-election ambitions.

If the UN is a disappointment for many as far as its political achievements are concerned, it is an acknowledged success in the social and economic fields.

Millions of men, women and children are alive today because of the far-flung relief activities of Unicef, the UN

children's fund. Third world countries owe hundreds of development projects to the UN development fund. Ten million refugees are cared for by the office of the UN High Commissioner for Refugees, and the UN remains the focal point for African famine relief, after Sr Perez de Cuellar was the first major figure to draw world attention to the dimensions of the crisis.

The UN began with 51 members and was essentially a Western institution. Soviet co-sponsorship notwithstanding, today there are 159 member states and the third world nations, most of which owe their independence in part to the clamour for national independence orchestrated by the UN in the 1950s and 1960s, have a built-in majority.

This has caused the U.S. to demand a system of weighted voting, contrary to the charter and current rules. If Washing-

ton does not get its way—and there is no chance that it will—it threatens to cut its UN contribution from the present 25 per cent to 20 per cent of the annual budget which totals more than \$800m. That could happen as early as 1987 and confront the organisation, not for the first time, with a serious financial crisis. In today's 40th anniversary euphoria, that is something no one is keen to ponder.



## Star Wars skirmish heads for prime-time television in U.S.

FRIENDS and enemies of the proposed Star Wars Strategic Defence Initiative are using television commercials in their efforts to influence U.S. arms-control policy. AP reports from Washington.

Commercial supporting Star Wars began running this week on two Washington channels. The coalition for the Strategic

Defence Initiative announced earlier this week that it is trying to raise another \$1.7m to buy national television time for the newly produced 30-second commercial that bills the system as a "peace shield."

Mr Howard Ris, executive director of the Union of Concerned Scientists—which spent about \$100,000 earlier this year

on anti-SDI commercials—said the group plans a new campaign.

Officials of both sides say they receive funds through private donations. The battle of the airwaves began earlier this year when the scientists' group purchased time for a television advertisement illustrating the view that SDI will militarise space

and increase the possibility of nuclear war.

The commercial depicted a child gazing at the night sky and seeing an explosion.

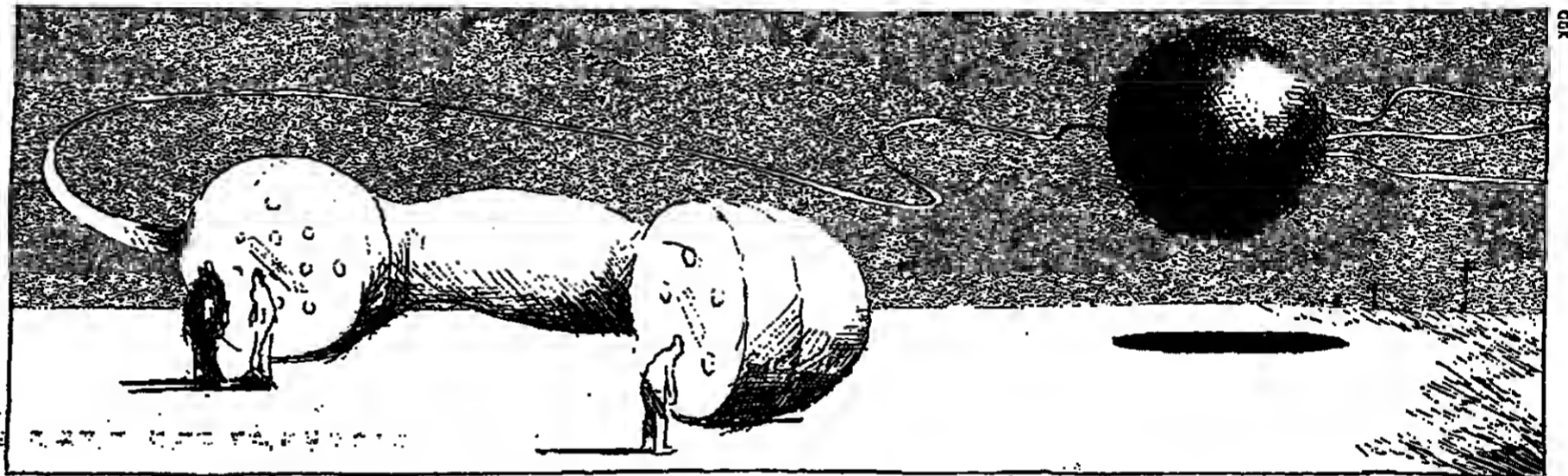
Mr Daniel O. Graham, a retired U.S. general and a leading figure in the pro-SDI movement, said: "In our commercials, the little girl gets saved by SDI."

The commercial opens with a

child's crayon drawing of a house, and stick figures covered by a dome-like shield. Incoming missiles are zapped by the shield, which turns into a rainbow. Through it all, a child's voice says: "I asked my daddy what this Star Wars stuff is all about. He said that right now we can't protect ourselves from nuclear weapons and that's why

the president wants to build a peace shield."

"It would stop missiles in outer space so they couldn't hit our house. Then nobody nobody could win a war... and if nobody could win a war, there's no reason to start one. My daddy's smart. Support the peace shield," says the advertisement.

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Alfonsin orders arrest  
of top army general

BY JIMMY BURNS IN BUENOS AIRES

The Argentine Government of President Raul Alfonsin yesterday ordered the arrest of six army officers and six civilians in connection with recent terrorist attacks.

The officers include Col Pascual Guerrieri, the deputy head of the army intelligence service J-2, and General Guillermo Suarez Mason, the former commander of the First Army Corps based in Buenos Aires, who has been a fugitive since being publicly linked to Italy's outlawed P-2 masonic lodge, drugs and arms trafficking, and human rights violations in January 1983.

Yesterday Gen Suarez Mason, who was briefly sighted in a seaside resort earlier this week after having allegedly lived in Spain for over a year, was continuing to elude arrest. The others have all been detained. The arrests follow a high-level weekend meeting between Sr Alfonsin and the military high command at which the President is understood to have received assurance that the tactics of the accused do not command the support of a wider section of the armed forces.

The Government, invoking a presidential decree used only in exceptional circumstances, accused the 12 of orchestrating a deliberate attempt to undermine the country's democratic institutions.

The arrests follow a growing wave of bomb attacks against military and civilian targets, numerous death threats, and a provocative series of articles in some sectors of the local media claiming that the country is on

the brink of political and social chaos.

The civilians arrested include two journalists who are alleged to have been actively collaborating with hardline members of the armed forces.

Government officials believe the 12 constitute the main core of a small but determined extreme Right group bent on exploiting current military disagreement over the trial of the former junta members and the generally heated political atmosphere in the run-up to the November 2 parliamentary elections.

The political sympathies of those arrested and their activities have been known to the government for months but yesterday's initiative was prompted by the recent bomb attacks. Relations between President Alfonsin and the military remain strained over the human rights issue. However, most observers here rule out the prospect of a coup because President Alfonsin's popularity remains high and the economic situation is largely under control.

Nevertheless, government officials admit that the next few weeks could prove crucial in determining just how successful the government has been in neutralising the last vestiges of the former military regime.

Yesterday's arrests coincided with the final day of the defence's summing up in the six-month long trial of the nine members of the juntas.

The court martial board is expected to spend the next two weeks sifting through the evidence before reaching a verdict in early December.

Killer of Harvey Milk  
commits suicide

BY LOUISE KEOH IN SAN FRANCISCO

DAN WHITE, who killed San Francisco mayor George Moscone and supervisor Harvey Milk in 1978, has committed suicide.

The former San Francisco supervisor, who was found guilty of shooting the mayor and Mr Milk, a gay activist, in San Francisco city hall, died on Monday in the garage of his San Francisco home after piping carbon monoxide exhaust fumes into his car.

Mr White's death is the final chapter in a tragic sequence of events that has had a major impact upon the state of California. His crime left a legacy of legal and community outrage.

Following the deaths of Mr Moscone and Mr Milk, Mr White was tried on charges of voluntary manslaughter, rather than murder as many would have hoped. In his defence he argued that his consumption of large quantities of junk food left him incapable of making rational decisions.

His sentence, later reduced, of seven years and eight months

in a state prison caused riots among San Francisco's large gay community.

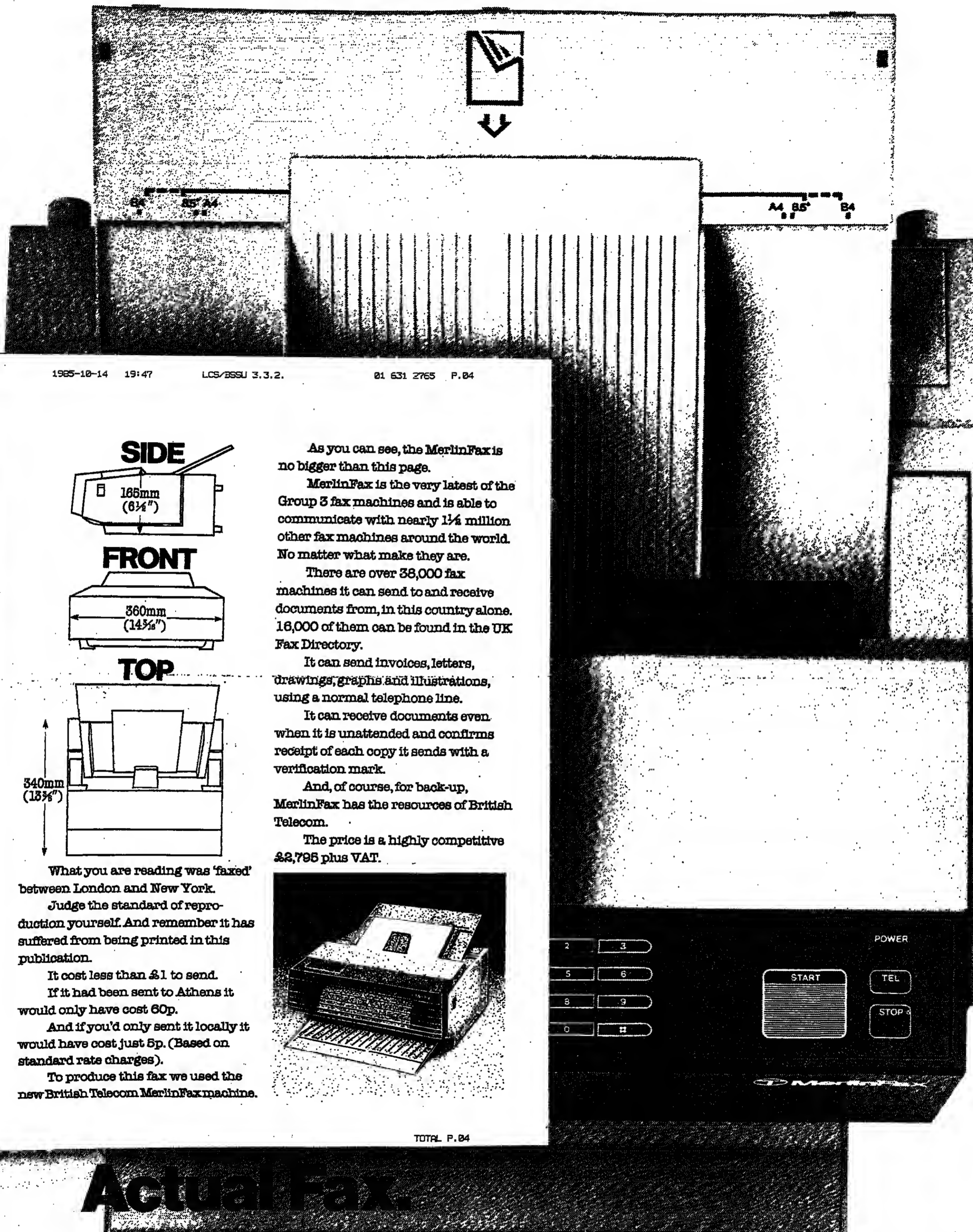
The so-called "Twinkie defence" (a Twinkie is a popular cream-filled sponge cake) prompted state lawmakers to stiffen the rules of "diminished capacity" and insanity defence, to introduce tougher penalties for violent crimes and to require the death penalty in "special circumstances," including the killing of a public official.

In 1983, the "Twinkie defence" also became the rallying cry for those sponsoring the "victim's bill of rights" which made sweeping prosecution sponsored changes throughout the state's legal system.

The deaths of Mr Moscone and Mr Milk, two of San Francisco's most liberal politicians, also galvanised the gay rights movement throughout the U.S. Harvey Milk became a martyr for the national gay rights movement and the riots that followed Mr White's trial became a symbol of gay power.



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## UK NEWS

## Bank of England is accused of JMB 'fraud'

BY PETER RIDDELL, POLITICAL EDITOR

ALLEGATIONS that members of the Bank of England staff were involved in illegal and fraudulent activities in relation to the collapse of Johnson Matthey Bankers (JMB) were made by Mr Brian Sedgmore, Labour MP, in a House of Commons motion published yesterday.

The motion, which is protected under parliamentary privilege, follows a series of allegations made in the summer by Mr Sedgmore about alleged fraud in the JMB affair.

Yesterday he called it the biggest financial scandal of the 20th century. "So far we have only seen the first worms crawl out of the can," Mr Sedgmore said in a statement. He is likely to raise the matter during the Queen's Speech debates which start in a fortnight.

His motion calls on the Government to set up an inquiry into the JMB collapse (which occurred just over a year ago).

Among other items he says this should examine evidence that "members of the Bank of England conspired with each other, with Mahmud Sijra and his solicitors and with others to utter forged documents in relation to \$27m arising out of the Johnson Matthey Bank collapse."

He also calls on the inquiry "to examine evidence that members of



Mr Robin Leigh-Pemberton

the Bank of England conspired with each other and with others to defraud the liquidator of companies in the El Saeed Group and to defraud other creditors; and further calls on the inquiry to examine the conduct of (a) the Governor of the Bank of England, (b) directors of the Johnson Matthey Bank appointed by the Bank of England, including Rodney Galpin, Patrick Brennan, Patrick Smith, George Copus and Martin Harper and (c) David Curtis and Mr Thomason of Hambros Bank in relation to their activities concerning

Johnson Matthey Bank.

Mr Sedgmore said in his statement that he had been told by Sir Patrick Mayhew, the Solicitor-General, that the Fraud Squad is investigating the matters in the motion.

Mr Sedgmore said - the very integrity of the British banking system had been put at risk. "Although, and we must be thankful for small mercies, Mr Robin Leigh-Pemberton, the Governor of the Bank of England, is not himself a conspirator to crime, it will be impossible to restore confidence until he resigns and a new Governor is appointed."

Quite separately Mr Paul Channon, the Minister of Trade, revealed that preliminary police inquiry into certain accounts with JMB would mean that the Export Credits Guarantee Department would be involved. The ECGD would co-operate fully with the police in its inquiries.

● Terry Povey adds: The Bank of England last night declined to comment "at this time" on the allegations. Answers would have to come through the proper channels now that the matter had been brought up in Parliament, an official said.

However, he pointed to recent comments by Mr Leigh-Pemberton to the effect that the Bank would not stand in the way of any investigation into fraud in connection with JMB.

## RIVAL INTERNAL BIDS FOR WARSHIP MAKER

## Vosper Thornycroft directors set to take over shipyard

BY ANDREW FISHER, SHIPPING CORRESPONDENT

FIVE DIRECTORS are set to become the new owners of the Vosper Thornycroft warship yard in Southampton, having outbid a rival attempt by three of their colleagues. The price is likely to exceed £15m.

The yard, which is negotiating a £350m frigate order with Pakistan against West German competition, said yesterday that the management team led by Mr Peter Usher, the present managing director, had been selected as the preferred bidder by British Shipbuilders (BS) the state-owned parent group.

BS is selling off its profitable warship facilities as part of the Government's privatisation programme. It is being advised by Lazard, the merchant bank. Still to be sold are Swan Hunter on the Tyne, in North-East England, Vickers in Cumbria, and the small Hall Russell yard in Aberdeen, Scotland.

No sale price was mentioned yesterday for Vosper Thornycroft, which made a pre-tax profit of nearly £5m in the financial year to March 31, 1985, but the team led by Mr Usher is believed to have bid between £15m and £20m.

The existence of two internal bids for the same yard is thought to have caused some rancour among the Vosper management. Mr Usher said yesterday that employees would have the opportunity to own shares in Vosper. The sale is subject to final government approval, expected next week.

Vosper, which has no connection with the recently privatised Vosper Shiprepair, employs nearly 3,000 people, about 1,000 less than a year

ago. It is building mine-detecting ships of glass-reinforced plastic for the Royal Navy and fast patrol craft for a foreign navy, as well as refitting frigates for Indonesia.

The buyout is being financed by County Bank Development Capital, with Gresham Trust and Standard Chartered Bank. Apart from two internal bids, there was also one outside bid from an undisclosed company.

The Government set March 31 1986 as the date by which it wanted the warship yards sold back to the private sector. The sale of Swan Hunter, probably to a management team, is likely to be announced soon. Vickers has just been formally put up for sale, with directors already contemplating a buyout attempt.

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## Supermarket outlets for cars 'unlikely prospect' says report

BY JOHN GRIFFITHS

SALES of new cars through supermarkets or hypermarkets in the same manner as white goods and other consumer durables remains an unlikely prospect, despite widespread speculation on the subject, according to an SRI International (formerly Standard Research Institute) consultant who is part of a team investigating the future for car dealerships in Europe.

The study has been commissioned jointly by most of Europe's volume car producers, including Ford, Fiat, Volkswagen and Peugeot.

It seeks to assess the likely structure of distribution and retailing for an industry which supplies some 16m European buyers a year with new vehicles having a total value estimated by SRI at £60m. Additionally, it estimates used car sales at £30-£40m and sales and servicing worth a further £40m-£50m.

The sector's combined provide jobs for 440,000 in the UK and a probable 2m in Europe overall according to SRI. Mr John Bailey, senior consultant on the programme, said that while the study would extend well into next year, a number

of initial conclusions could be reached. Among them were that although numbers of car dealerships would fall and some restructuring would go on, non-specialised outlets were unlikely to feature significantly in future sales patterns.

"Cars have become much more reliable," said Mr Bailey. "In the past, they have needed about 20 hours of maintenance over a 100,000 kilometre period. That has been cut by half and by 1990 the average will have been halved again."

However, he was not convinced that cars would not continue to require fairly constant attention requiring specialist facilities.

This requirement could be catered for by specialised service outlets, not necessarily connected with a manufacturer. Mr Bailey said that despite indications from both car manufacturers and dealers that they saw no alternative to the existing franchised system "SRI has yet to be convinced of that."

He did not rule out change being introduced by manufacturers themselves, perhaps under the severe competitive pressures.

## Receiver of aircraft company cuts staff

## THE GLENLIVET — DENIED BY THE KING

In the early 1800's, denying the existence of distilleries was a notional Scottish pastime.

Oh, they were there, alright.

But all strictly illegal. You see, savage taxes imposed by the Philistines of Westminster made distilling the notional beverage well nigh impossible.

Tax evasion became the only honourable course. The canny Highlanders took to the hills and the glens.

A whole industry flourished. But it was completely underground. Excisemen, or gaugers, marched North, with orders to stamp it out.

### The Artful Dodgers.

But it proved a hopeless task.

All measures to deter the distillers were met with ridicule.

Even a £5 reward for the discovery of a distilling pipe (or copper "worm") did nothing to halt the flow of whisky. In fact it was a boon for the whisky makers.

When a "worm" was worn out, the distiller would miraculously "find" it, hand it over to the authorities, claim his reward and promptly purchase a new one!

Such was the Highlanders' contempt for the law that it was not even considered a disgrace to be imprisoned for illicit distilling.

Indeed, in Dingwall Gaol offenders were treated in the mildest possible way, even allowed out on Sundays and special occasions and "honourably returned."

One prisoner even approached the governor with the remarkable proposition that they set up a still together in the gaol!

But out of this lawlessness came greatness. The illicit dram was magnificent.

The Reverend Thomas Guthrie was a boy in 1818 and he recalled that "everybody, with few exceptions, drank what was in reality illicit whisky — for superior to that made under the eye of the Excise — lords, lairds, members of Parliament and ministers of the gospel and everybody else."

And the finest drop of them all was The Glenlivet.

### The Sassenach Connection.

The Glenlivet distillery was started by one John Gow Alias Smith.

Bit of a mystery, John Gow. Indeed he had very little option.

Having fought and lost with Bonnie Prince Charlie, he had to flee with his family in 1746 to the remote glen of the river Livet.

And to baffle the English soldiers, he changed his name from the Gaelic Gow to Smith.

This is why such a Sassenach name as Smith appears on the bottle of Scotland's most venerated whisky.

There in the glen John Smith, ex-Gow, settled in the precise spot where the water and the peat were the best in all Scotland for making



cross. Lord Coringham, the Chamberlain, was looking everywhere for the pure Glenlivet whisky: the King drank nothing else.

My father sent word to me — I was the cellarer — to empty my pet bin, where whisky was long in the wood, mild as milk and the true contraband got it in it."

Such a princely potion couldn't stay illegal much longer. It was unthinkable that the King should ever have to deny that his greatest pleasure didn't actually exist!

Luckily, back at the House of Lords, commonsense was about to break out, under the influence of George Smith's lordship, the Duke of Richmond and Gordon.

In 1823, their Lordships passed an act which made distilling a commercial proposition.

And the first man to take out a licence was our own George Smith.

Plain sailing from then on you'd think. Nothing of the sort.

### The neighbours' burning desire.

Although George had decided to go legal, his neighbours in the glen would have none of it. They regarded him as a traitor.

"The outlook was an ugly one," wrote George. "I was warned by my civil neighbours that they meant to burn the new distillery to the ground and me in the heart of it."

Such threats in the wild remoteness of Glenlivet were not idle. So for his protection, George was presented with a pair of hair trigger pistols, worth ten guineas, a gift from his friend the Laird of

# "Glenlivet Distillery? What Glenlivet Distillery?"

malt whisky. This mysterious man had stumbled upon a mysterious well. Josie's Well.

It's the water from this well that makes The Glenlivet magical. We can't tell you why. There is no explanation.

And there is no other well that performs the same magic.

By the time John Smith's grandson George inherited the still in 1817, the fame of The Glenlivet

had spread far and wide.

"It is worth all the wines of France" opined the Doctor in Sir Walter Scott's St. Ronan's Well, "and more cordial to the system besides."

### His Majesty's Pleasure.

The Glenlivet that George Smith made even flowed in the corridors of power.

In 1822 King George IV paid an official visit to Edinburgh and

Elizabeth Grant, an MP's daughter, wrote about it in her

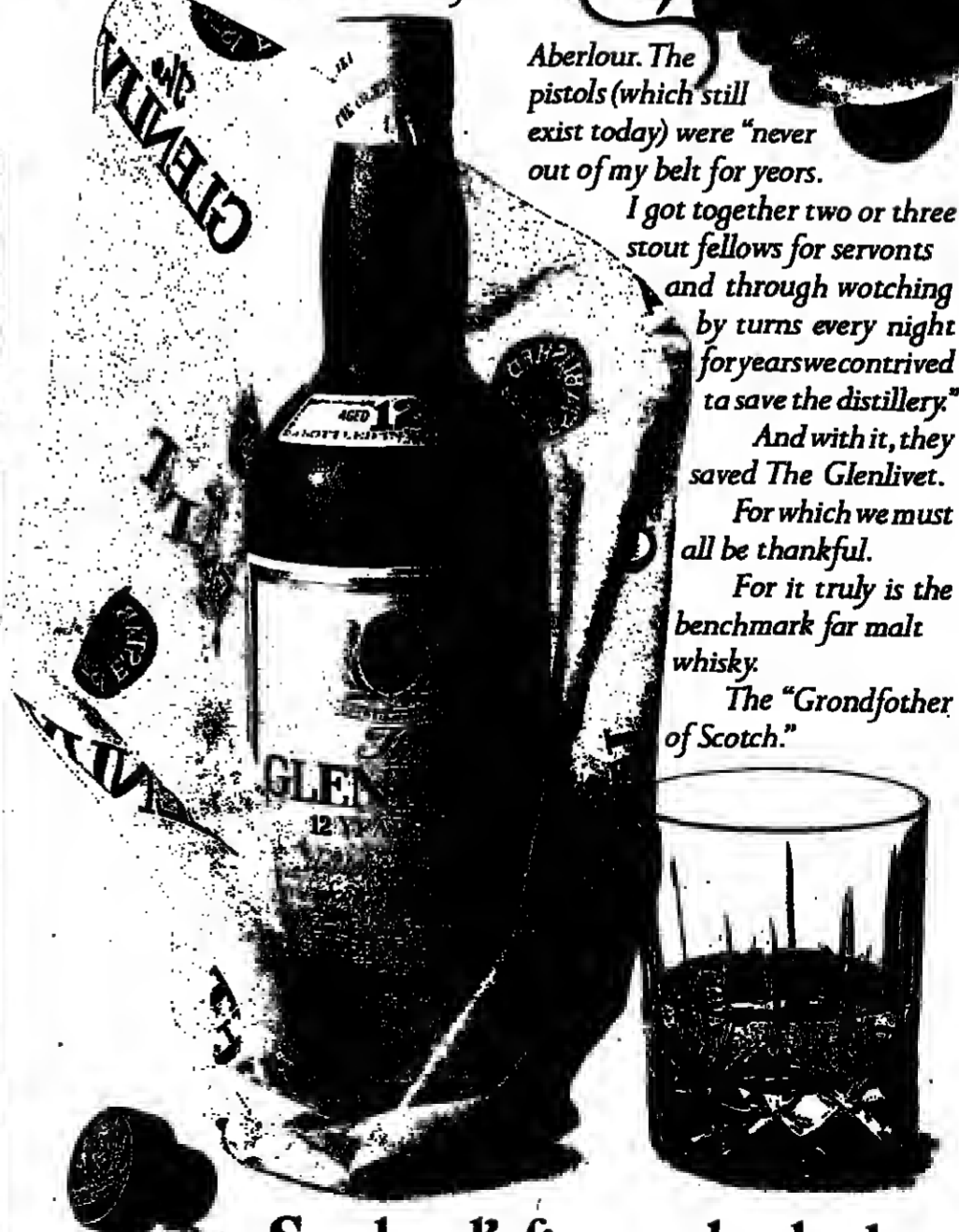
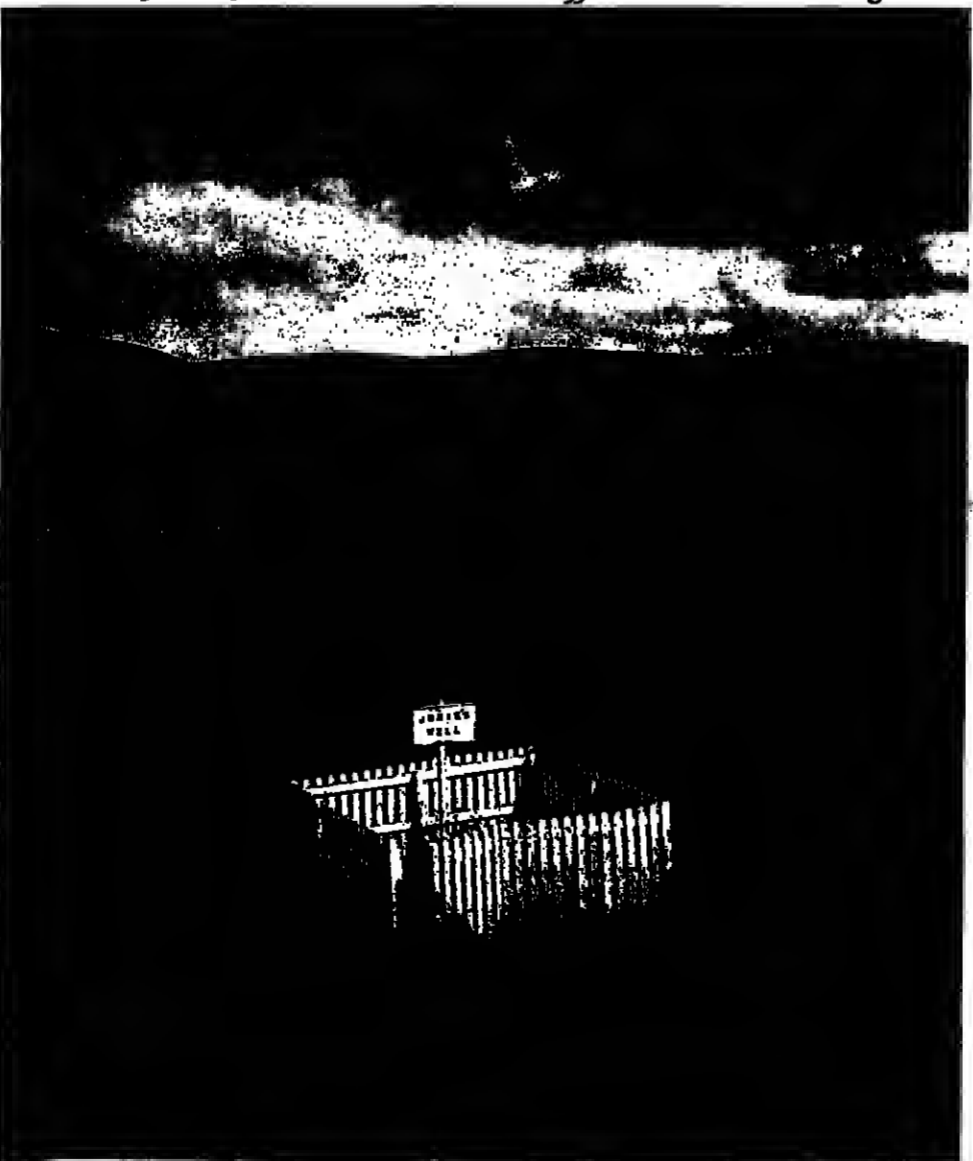
memoirs: "One incident connected with this time made me very

Aberlour. The pistols (which still exist today) were "never out of my belt for years."

I got together two or three stout fellows for servants and through watching by turns every night for years we contrived to save the distillery." And with it, they saved The Glenlivet. For which we must all be thankful.

For it truly is the benchmark for malt whisky.

The "Grandfather of Scotch."



Scotland's first malt whisky.

## UK NEWS

## Pit union told it must help receiver

By Raymond Hughes, Law Courts Correspondent

THE REFUSAL of the national officers of the National Union of Mineworkers (NUM) to recognise the authority of the High Court-appointed receiver of the union's assets yesterday emerged as the main obstacle to the ending of the 10-month receivership. Receivership arose out of the year-long miners' strike which ended in March this year.

Mr Arthur Scargill, the NUM president, Mr Mick McCabe, vice-president, and Mr Peter Heathfield, general secretary, must say plainly that they would co-operate with the receiver and obey court orders before the receivership would be ended, Mr Justice Mervyn Davies said yesterday.

Mr Gavin Lightman, QC, for the union, said the three officers were barred from co-operating with the receiver, Mr Michael Arnold, of accountants Arthur Young, by a decision of the union's conference.

They were, however, willing to give all the information the receiver required from them to the union's new trustees who would co-operate with Mr Arnold.

Mr Justice Mervyn Davies: "You are telling me that the national conference desires these three men not to observe the law of the land? You know perfectly well the conference has no power to do that. There is not one law for Mr Scargill and another for the rest of the land."

Mr Lightman: "They are a conscience bound."

The judge: "Conscience does not affect the matter. The law rules."

Mr Lightman: "You may not like the position they maintain, but it is a position in conscience."

The judge adjourned the union's bid to remove Mr Arnold until after its application on November 14 to end the over-riding sequestration order against it.

He warned that "it does not follow that, if there is any alleviation of the sequestration, the receivership is discharged."

The court had been told that union officers were ready to sign documents facilitating the tidying up of problems resulting from the transfer of £8.5m of NUM funds abroad, and that the new trustees, with the help of the national officers, would provide information required by the receiver.

## More buyout funds line up behind management deals

THIS WEEK'S announcement of two management buyout funds by Citicorp and J. Henry Schroder Wagg makes available a minimum of £172m of equity to executives seeking independence from their corporate parents.

The total purchasing power they represent is many times greater and begs the question of whether the banks are expecting too much of this increasingly popular phenomenon.

Schroder, for instance, estimates that if the various kinds of loan finance to be offered alongside the equity were taken into account, its fund represents a total firepower of up to £250m. Citicorp claims on the same basis to speak for up to £300m.

The biggest source of funds for management buyouts will be the £300m stand-by facility announced by Electra Investment Trust and Candover Investments in July. The Electra Candover scheme is expected to have raised around £250m when it closes for subscriptions shortly but, even so, that represents about £1bn after loan finance is included.

Those four institutional vehicles alone speak for at least £1.75bn - and that excludes the large sums made available for buyouts from 3i and an estimated 40 smaller specialists in the field.

Can there really be that many potential management buyouts waiting to wriggle out of Britain's corporate woodwork? Dr Neil Cross, assistant general manager of 3i, traditionally the leading institution in the field, is sceptical. "A lot of money is already available. The numbers that we have seen so far have not come near to that market potential," he says.

3i has invested £140m in some 500 management buyouts over the past five years and reckons to be involved in more than half the number that takes place in the UK. But the market is changing, Dr Cross admits. Typical deals in recent years have consisted of medium-sized family-owned companies selling out to their own management or disposing of unwanted subsidiaries.

Buyouts are getting larger - each new deal seems to break a record - and can even take place in response to a contested takeover bid. The first British example of such a deal was the £53.8m purchase of Haden, the engineering group, completed

William Dawkins looks at management buyouts in Britain and finds that the deals are getting larger - and even taking place in response to a contested takeover bid.

In June as a counter-attack to a bid from Trafalgar House.

That was the largest British buyout at the time, but has since been topped by the £30m takeover of the Mallinson-Denny timber group and £173m buyout of Marston Packaging. The figures refer to purchase prices rather than total funding.

Mr Charles Gonsor, a director of Citicorp Venture Capital, has no such doubts about the market's ability to swallow the huge sums being made available. British buyouts might be running at an annual rate of £1.5bn to £2bn within the next three years, he estimates.

"Awareness of this particular form of financing technique has grown considerably. We have seen the first signs that the market is about to take off," he says.

Mr Gonsor and other buyout fund-raisers point to the U.S., where management takeovers have been occurring in numbers that would leave the British market gasping for breath. Only on Monday, Mr Edward Finkelstein, chairman of R. H. Macy & Co, the New York department store, announced that he was leading a \$3.6bn (£2.5bn) bid by the management for the group.

Mr Roger Brooke, chief executive of Candover Investments, says: "If we follow the U.S. pattern, we should be utilising our funds in fairly short order. Our own guess is that we will be expanding Electra Candover in two to three years."

Even so, the state of management buyout funds are taking a shot at a market that none of them can measure precisely. "The psychology is ahead of the business," admits Mr Jon Moulton, managing partner at Schroder Ventures.

He points out that the existence of such funds will prompt British managers to think about their future.

"If it is believed that these things can be done, then more managers will say to themselves: 'If the parent is going to sell our division, maybe we should buy it?'"

## Kinnoek urges cut in Third World debt

A FUTURE Labour government would seek limits on interest rates as a way of reducing the debt burden of developing countries, Mr Neil Kinnoek, the Labour Party leader, said yesterday, Nick Barker writes.

Mr Kinnoek told the London rally organised by leading British development agencies that Britain should back concerted international action to reduce debt obligations, write off large parts of the Third World debt, and ensure the stability of commodity prices.

The rally was held as part of a Fight World Poverty lobby of parliament, joined by an estimated 15,000 people, according to organisers.

Mr Kinnoek said that a future Labour government would seek a "complete change" in the policies of the International Monetary Fund (IMF) towards Third World debtor countries.

"We have to work to secure the rescheduling of debts and the extension of repayment periods. We have to gain agreement to the imposition of ceilings on interest rates, without which the wealth of the world will go into usury instead of into production," he said.

"We have to fashion a system for the shifting of debt repayment to a given share of export earnings. We have to see that rich countries and institutions write off major parts of the debts of the poorest countries."

Mr Kinnoek said that in order to aid developing nations and end unemployment in the developed world, the IMF would have to return to its original function of "providing a stimulus and subsidy for world trade."

Mr Kinnoek's speech fell short of calls made in a resolution passed at the recent Labour Party conference in Bournemouth, which urged an immediate cancellation of all the foreign debt of developing nations.

However, Mr Kinnoek promised that in the lifetime of the next Labour government Britain's overseas aid spending would be increased to 0.7 per cent of gross national product, the target figure recommended by the United Nations.

Earlier, Dr David Owen, leader of the Social Democratic Party, told the rally that a future Alliance government would also increase overseas aid to the UN target figure.

Mr GEC AVIONICS has won a £34m contract from the Ministry of Defence for "night vision" equipment to be installed on Lynx helicopters.

The Royal Navy, which will be developed and produced at the company's Electro-optical surveillance division, will enable the Lynx to carry out long-range target detection and identification at night, and in conditions of smoke and haze. This will give the Lynx a 24-hour surveillance capability.

The system includes a thermal-imaging sensor sited in the nose of the helicopter; the image it produces is displayed, like a high-quality monochrome TV picture, in the helicopter's cockpit.

THE REPORT yesterday of the rebuttal in the High Court by Mr Peter Cresswell, QC, counsel for Mr Michael Arnold, receiver of the National Union of Mineworkers, of a suggestion that he had invested union funds in South Africa omitted the fact that the money lodged with Standard Chartered Bank had been placed on deposit on the London money market. It was, therefore, misleading to say that the receiver had invested the funds in South Africa, Mr Cresswell told the court.

AT LEAST 34 Tory MPs, including one Cabinet minister and two former Cabinet ministers, have financial interests in companies operating in South Africa, Mr Gordon Brown, a Labour MP, claimed.

Mr Brown has called on all MPs to declare their financial interests in South Africa before they speak or vote in today's House of Commons debate on economic sanctions against that country.

UNIT-TRUST sales climbed to a record of £38m in September, according to statistics from the Unit Trust Association. The figure was helped by the £90m utilisation of a Scottish investment trust, but even without that, previous sales records would have been exceeded.

New type of trust, Page 11

To the Holders of Centrust Savings Bank (formerly Centrust Savings and Loan Association)

Secured Adjustable Rate Notes due 1994

In accordance with the provisions of the Trust deed, notice is hereby given that for the interest period beginning October 22, 1985 and ending April 21, 1986 the Notes carry an interest rate of 9.575% per annum. Interest payable for the period is £4,426.31.

Centrust Savings Bank Ltd. Paribas Corporation

Dated: October 15, 1985

# NOTICE OF REDEMPTION

## To the Holders of THE GOVERNMENT OF THE REPUBLIC OF SINGAPORE 7 3/4% External Loans Bond 1987

### BONDS OF US\$1,000 EACH

NOTICE IS HEREBY GIVEN pursuant to the provisions of the Conditions of November 1, 1972, under which the above-described Bonds were issued, Citibank N.A. formerly First National City Bank, as Fiscal Agent has selected for redemption through drawings by lot, US\$1,800,000 principal amount of the above described Bonds. The serial numbers of said Bonds selected are as follows:

000011	000012	000013	000014	000015	000016	000017	000018	000019	000020
000021	000022	000023	000024	000025	000026	000027	000028	000029	000030
000031	000032	000033	000034	000035	000036	000037	000038	000039	000040
000041	000042	000043	000044	000045	000046	000047	000048	000049	000050
000051	000052	000053	000054	000055	000056	000057	000058	000059	000060
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# Fast on its feet

**BY TERRY DODSWORTH**



**Alan Sugar:** high hopes of his word processor and printer for £459

The word processor launched last month—and showing early signs that it will be a considerable success—is Amstrad's first departure from the straight consumer market but bears many of the company's hallmarks. Amstrad expects it will be mainly bought by business and the self-employed although

Similarly, the new word processor is a personal computer with printer, the screen, a disc drive and a generally acclaimed word processing program. No other company offers a serious product at such a low price nor sells as a complete, assembled package something which is attractive to the non-expert buyer—although extra blank discs must be purchased before

The third element which enables Amstrad to keep its costs low is its small company structure. Founded in 1968 by Sugar to sell tinted plastic covers for record players, the company is still very closely run by him and greatly depends on his instinctive entrepreneurial and managerial flair. There is very little middle management and most of the decisions seem to

trouble with little apparent difficulty. CB Radio was open business which Amstrad entered with enthusiasm. For the day CB Radio was legalised Sugar decided—correctly—that the widely-held projections for demand would not be met and sold his entire stocks. Amstrad was one of the few companies to make a profit out of CB.

Amstrad also moved into colour televisions and video

praise Sugar's entrepreneurial successes they note that the company has been dependent on two rather difficult markets. Demand for very choop audio products looks flat and the home computer market is an exceptionally volatile business. However with sales of the word processor alone looking set to match its total turnover for last year no-one is laughing at Amstrad now.

**Evaluating and marketing equipment leases.** Cambridge. November 11-13. Fee: £450 + VAT. Details from Vic Lock, Hawkins Publishers, 2 Church Street, Coggeshall, Essex CO6 1TU. Tel: 0376 62262. Telex: 887913 Hawkin G.

**The global equity market conference and exhibition.** London. November 14-15. Fee: £380. Details from Jenny Dell, Ovez

**Space: commercial benefits for industries worldwide, London, November 18-19. Fee: £529. Details from the Financial Times Conference Organisation, Minster House, Arthur Street, London EC4R 9AX. Tel: 01-621 1355. Telex: 27347 FTCONF G.**

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24011523523 after November 4.**

**International transfer pricing  
for multinationals. London,  
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£141.45; non-members £166.75.  
Details from European Study  
Conferences, Kirby House, 31  
High Street East, Uppingham,  
Rutland, Leicestershire LE15  
8PY. Tel: 0572-822711. Telex:  
341352 EURCON G.**

**EDITED BY ALAN CANE**

# Computers and chemistry combine

Besides, much of the 10 years or so between designing a drug and selling it is spent scaling up laboratory synthesis and conducting clinical trials—areas where which even the most advanced computer methods can do little to help.

But computer graphics may help drug companies develop in a given time more chemicals from which they can make a better selection for a product to

sell. In non-pharmaceutical areas, which do not involve lengthy trials on people, the techniques may have a bigger effect in bringing products more quickly to the market place.

Dr. Jeffrey Blaney, a computer modelling specialist at the U.S. company's experimental station in Wilmington, Delaware, says that with conventional routines, chemists may need to synthesize 10,000 compounds to find just one that will eventually go on sale.

Under established methods, a worker uses little more than instinct, backed up by trial and error, to turn out substances which he thinks may have desirable properties. A single worker may spend a year synthesizing 100 chemicals which all turn out later to be



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## Filter aims to eliminate radiation

A BRITISH company called Ultraguard has developed what it claims is the clip-on

## Drug design: a suitable case for software treatment

**Drug design**

MODELLING techniques help the design process in several different ways:

- **INITIAL DESIGN.** Chemists can build up a computer screen image of a molecule to attack or bind with a chemical whose characteristics are already known. Such a procedure could be used, for instance, to design substances for biological reactions in the enzyme or to design drugs to act in the oil and bulk chemical industry.

By altering the shape of the chemical—in much the same way as a child would move pieces in a jigsaw until they fit—a scientist could eventually find a substance that stands a good chance of having the correct property.

● **PROBLEM SOLVING.** In some branches of biochemistry, workers may need a fundamental understanding of the ways in which two substances

● **PATENT PROTECTION.** With the design methods, a chemist may be able to build into a substance a particular form of bonding or atomic arrangement which (as long as

techniques, the laboratory workers can change the shape of the molecule or change the positions of key atoms to reduce the risk of infringements and any consequent legal problems.

enterprise's main product is ChemGraf, a software package for modelling molecules. The program is based on Mr Davies' original work as an undergraduate. The product needed considerable develop-

sales are in the U.S. where Mr Davies has a full-time representative in New York. Due to the highly technical nature of the company's products—and the tightly knit

buyers. "Imagine," says Mr Davies, "that when you are buying your house you could go into an estate agent and, even before the house is built, visualise what you want on a display screen."

It can lift a load of as much as 22 tonnes and up to 24 metres in circumference. There are no raw edges on the seams so the danger of fraying in extended use is minimised.

**Sibling solidarity:** Keith Davies, founder and technical director of Chemical Design, with his sister, Mary Davies, the company's managing director

## Graduating to a family business

**KEITH DAVIES**, founder and principal director of Chemical Design, became intrigued by chemical modeling in his days as an undergraduate at Oxford University in the late 1970s.

He picked up on earlier work in the subject at the Massachusetts Institute of Technology and Princeton University, and in 1982 appointed himself during a seven-month spell at the San Francisco Medical Center, another leading U.S. establishment in this technology.

ment—about 40 hours a week of Mr Davies' time on average since 1980—to bring it to the point where it could be sold to chemical companies.

Chemical Design's staff has an average age of 35. Managing director is Mr Davies' sister, Mary Davies (another Oxford chemistry graduate) who is 24 and joined the company five years earlier this year. Their parents, who used to run a small farm in Wales, inspired them to set up in business.

world of the chemicals industry—Chemical Design has not had to do much marketing. "Feeling that as at the moment," says Mr Davies, "we are selling mainly by word of mouth."

Besides selling ChemGraf and other programs of its own design such as ChemGnido and ChemMovie, the Oxford company acts as agent for a number of companies in Horsham, Sussex, which makes the high resolution display screens needed for modelling work. It sells a

The basic Ultraguard filter costs \$97, but to cut out more X-rays, the company developed an X10 model which further NBPB tests showed cut out 99 percent of such radiation and reduces very low frequency electromagnetic radiation.

Instead of being made of chemically coated plastic, the Ultraguard screen filters are made of an anti-radiation membrane sandwiched between two layers of scratch and shatter-proof glass.

Mr Davies started a PhD at Oxford but abandoned it because he found the computational modelling so interesting. In 1983 the chemist, then 26, set up Chemical Design from his home. It took on its first employees a year later and in June 1985 moved to a cluster of offices on the outskirts of Oxford.

The company now has annual sales of £1m and employs 20 people, most of them ex-chemistry students. The main product is a package called ChemGraf, a software package for modelling molecules. The program is based on Mr Davies' original work as an undergraduate. The product needed considerable develop-

Keith Davies owns 86 per cent of the company and his sister 10 per cent. Mr Davies says he has contributed a "few thousand pounds" of his own money to the concern. He has not needed any source of venture capital and relies for overheads and purchases of computers and related software on revenue from sales and an overdraft facility up to £50,000 from the National Westminster Bank.

Half Chemical Design's sales are in the U.S. where Mr Davies has a full-time representative in New York. Due to the highly technical nature of the company's products—and the tightly knit

design package, which includes software, a terminal and a 386 or 486 computer for about \$50,000.

Mr. Davies realizes that the market for selling software to the chemicals industry might become saturated after a while. He would like to move into other areas to do with computer graphics, and exactly which he is not saying.

One idea, no more than muscling at the moment, is to develop a tool to help home buyers. "Imagine," says Mr. Davies, "that you're a home buyer, your house you could go into an estate agent and, even before the house is built, visualise what you want on a display screen."

More on 01-226 1652.

## Sling for lifting awkward loads

Cargo Equipment of Bridgend, Wales, is selling a lifting sling for awkwardly shaped loads. The CetiSling is made from a continuous length of polyester fibre within a fabric casing.

According to the company, it can lift a load of as much as 22 tonnes and up to 24 metres in circumference. There are no raw edges on the seams so the danger of fraying in extended use is minimised.

## FT REGIONAL REPORT

# Glenrothes

Electronics and oil have transformed this former mining area. But the new town must learn to survive without a powerful armoury of grants



## Successes outweigh the failures

THE NEW town of Glenrothes has changed the industrial face of Fife. It has attracted some of the electronic and oil-related industries which have brought hope of recovery to the Scottish economy.

Situated in the centre of the Kingdom, as Fife is known, the town was originally established after the war as a mining community, with attendant industries, for the new Rother's pit nearby.

But flooding and geological problems led to the closure of the pit in 1961, before it had produced much coal. Mining in the area as a whole was also in decline. Some 30 pits were to close during the 1950s and 1960s with more than 20,000 miners losing their jobs. This had a knock-on effect on other industries, such as the railways and local engineering.

As a result Glenrothes desperately needed a new direction. In 1963, it was re-designated a new town to bring in different kinds of industry. "It was imperative that we found some industries of the future," recalls Sir George Sharp, the chairman of the new town corporation.

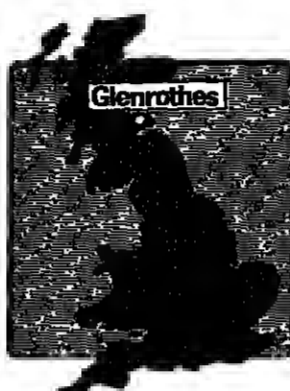
The corporation's aims were to lure foreign investment, provide new housing and give new economic balance to industrially blighted areas of Scotland. Like the other Scottish new towns it brought together the management skills needed to set up a new industrial infrastructure and help get new companies on their feet.

The turning-point for Glenrothes fortunately came just as the difficulties in the nearby mining complex mounted. Beckman Electronics decided to set up in the town in 1954. This was the signal that set other sunrise industries thinking.

A number of electronics companies were to follow. The rush for self-sufficiency in oil in the early 1970s also had its spin-off in the new town, with companies supplying equipment and services for offshore develop-



This report was written by MARK MEREDITH



Electronics is a leading employer in the town. Here (left) circuit breakers are being produced at WSK Electrical

ment taking advantage of the financial start-up assistance.

New technology in residence soon rubbed off on some of the other, more traditional industries, such as Tullis Russell Paper, the largest single employer in Glenrothes with 1,200 workers.

Rodime, making Winchester disc drives, General Instrument producing semi-conductors, ACT Computers, along with Hughes and Beckman have helped the community develop new skills and attract supporting service companies.

Such success stories have outweighed the failures, such as the decision by Burroughs to close its business machines factory in 1982. The recent uncertainties in the U.S. electronics market have added, however, to the new town planners' headaches.

Today 33 of the 200 or so companies in Glenrothes are in the electronics sector and account for about one-third of the 9,000 jobs in the new town. Electronics in Fife, as in many other parts of Scotland, has done much to replace the heavy job losses in manufacturing over the past 10 years.

### Assistance

After 22 years, it now appears that Glenrothes, as a new town, is nearing its end. The prospects unsettle some in the development corporation management, who operate out of a former stately home on the fringes of the town.

Last year, in the Government's review of regional development assistance, Glenrothes lost its ability to offer automatic development grants to incoming companies to

cover some of their capital costs. The other four new towns, Livingston, Cumbernauld, East Kilbride and Irvine kept their grant-giving abilities, although the percentage of assistance available was reduced from 22 to 15 per cent. The review left Glenrothes with virtually no strong cards to play in its bid to attract new industries. The change of emphasis to more selective grants by the Scottish Office to win over mobile inward investment could still benefit the town, but the other new towns have more positive incentives.

With U.S. or Japanese companies looking for a European base, closely following the array of fiscal advantages offered, Glenrothes' enticements appeared to dry up. So did the number of visiting companies. What is more, inward invest-

ment is no longer the individual preserve of new towns but rather has been centralised and co-ordinated through Locate in Scotland (LIS), a body combining the industrial promotion resources of the Scottish Development Agency with the grant-giving abilities of the Scottish Office. LIS offers one-stop shopping for incoming companies, providing assistance and guidance. On the other hand, new towns like Glenrothes have now lost their ability to market abroad and thereby some of the room for initiatives.

This change has left the corporation wondering what it can do to further promote industry. For its part, the regional council has placed considerable emphasis over the years on improving infrastructure to complement the new town's development. As central government assistance has thinned, the region has also developed a loan and grant scheme aimed in particular at small business start-ups and local management buyouts.

The local technical college has played a key role in developing skills needed by new industries and meeting the demands from all levels of management for training and forums for new ideas. The close ties with Fife Regional Council, symbolised partly by the presence of its headquarters in Glenrothes, will ease the transition when the new town does eventually lose its special status. The Scottish Office is due to reassess its position in 1989.

All the new towns are designed to reach a certain population target at which point they are returned to the community and their special status removed. The target for Glenrothes is 55,000. The population presently stands at 38,000.

There is nevertheless already in place a working community with an identity of its own, offering considerable attractions to new industry.



The town centre contains one of the largest enclosed shopping malls in Scotland (left). The Hughes Microelectronics plant (right) is involved in a £25m expansion

### ELECTRONICS INDUSTRY

## Local business spawned

THE FIVE new towns in Scotland have been essential to the growth of a powerful new electronics industry. They have provided the greenfield sites and backup for the incoming American or Japanese companies and acted as drawing points for the kind of labour force the sunrise industries have required.

Electronics has been promoted in Scotland as a whole to create jobs and encourage new indigenous companies to form part of the infrastructure serving the multinationals.

Over 42,000 people are employed in more than 300 electronics companies. Glenrothes new town has 33 electronics companies which provide jobs for roughly one third of the 9,000 workforce in the area.

Companies like Hughes Microelectronics, General Instrument, Rodime, and ACT have helped change the industrial profile of the new town. The arrival of Beckman Instruments (now part of Emerson Electric of the U.S.) in the early days of the new town marked the turning point away from Glenrothes' links with coal and more traditional industries.

Since then companies such as Kineticon which make test equipment for electronics, Hughes makes customised

semiconductors and hybrid micro-circuits and handle sub-assembly work. A large amount of the business is within the company and about half of the work is for military contracts which have not been as vulnerable to recessionary pressures.

The company started up in Glenrothes 25 years ago when it produced watches and then calculators for the consumer market before it moved into its current specialist market.

Duffin is among several managers in this sector who readily point to a record of trouble-free industrial relations in their Fife plant. They also praise the region's education system which has helped prepare pupils for the new industries.

### Military

Hughes, which is part of the Hughes Aircraft Corporation of the United States, has a spread of products which has enabled it to ride out the worst of the current computer recession which has hit electronics companies world wide.

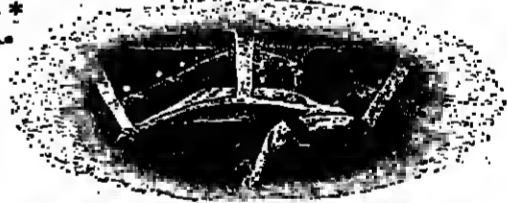
"It would be wrong to say we did not feel the chill," comments Mr Duffin. But the company has not had any production cutbacks, any reductions in capital outlay or shed any of its 750 staff. A £25m expansion should see the workforce grow to 1,100 by 1990. Hughes makes customised

Coors Ceramics is another U.S. subsidiary which has shown rapid growth. It has a workforce of 85, a turnover of £3m and, along with a sister plant in Wales, is moving towards a more integrated product development with less dependence of the plant's Colorado based parent company.

Rodime, a world leader in disc drives for computers, set up a factory in Glenrothes four years ago and recently announced plans to expand its 97,000 sq ft plant by 10,000 sq ft.

47 Electrical and Electronic companies,  
2 Freight Forwarding agencies, 6 Printers  
and Publishers, 3 Haulage companies,  
10 Computer companies, 22 Business and  
Secretarial services, 4 Packers, 2 Robotic  
Engineering companies, 25 Mechanical  
Engineering works, 15 Precision Engineer-  
ing groups...

... and a man who helps planes  
see in the dark.



Glenrothes has over thirty years experience of establishing an infrastructure that makes sense for business development.

Over thirty years of providing a sound industrial base for the widest range of companies has resulted in a continual pattern of successful growth for the community—the businesses mentioned above are but a small proportion of those

enjoying all the benefits of a continual association with Glenrothes Development Corporation.

"With support from Glenrothes Development Corporation, David Morton has set up his own company, Aircraft Monitoring Limited. He's invented 'Tripwire', a new ground control system that helps aircraft when taxi-ing in darkness or conditions of poor visibility.



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# How Norway regulates oil activity

By Fay Gjester in Oslo

AN IMPORTANT new law which will profoundly influence the way Norway administers and regulates its offshore petroleum industry was approved by the Storting (parliament) earlier this year, by an almost unanimous vote, and took effect from July 1.

The Petroleum Activities Law of March 22 represents a major administrative reform. In preparation for over a decade, under several different governments, its provisions replace three royal decrees, plus a complicated accumulation of ad hoc regulations issued by various authorities since 1963, when an enabling Act was passed, proclaiming Norwegian sovereignty over the country's continental shelf, regarding exploration for, and exploitation of, natural resources.

It reaffirms Norway's claim to these resources, and requires the Government to ensure that they are exploited "for the benefit of the whole Norwegian society," while "contributing to the development of Norwegian business and industry and taking necessary account of other activities, regional policy considerations, and of the need to conserve nature and the environment."

The new law is not just a tidying-up exercise. It gives the state far wider powers than hitherto over the companies working on Norway's shelf. They can be required to delay, to initiate, or to speed up, exploration of a licence area, or development of an oil or gas discovery, and to co-operate

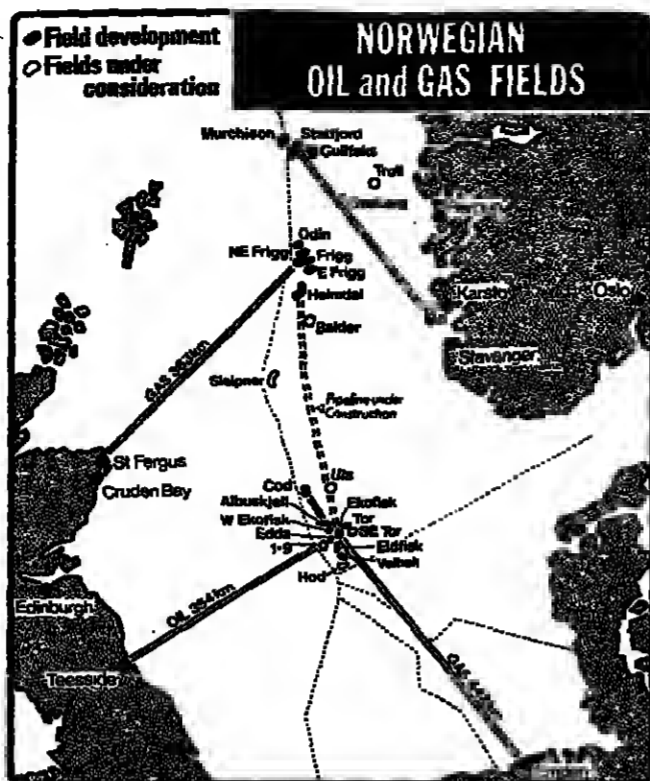
actively with the country's industry. A company-appointed operator on a block (licence area) or field can be deprived of operatorship status, in the wake of a serious accident, or some other event which leads to a loss of the authorities' confidence. The Oil Ministry can regulate a field's production profile, and require an operator to employ secondary recovery techniques (such as water or gas injection) in order to ensure optimum exploitation of reserves.

In many parts of the world, multinational oil companies are accustomed to a minimum of government interference with their operations. Surprisingly, none of the many foreign oil companies working on Norway's shelf has protested against the new law. Mr Farouk Al-Kasim, resources director with the Norwegian Petroleum Directorate (NPD), says this is probably because the companies believe that the measure will be applied "reasonably." They were, moreover, consulted extensively when it was being drafted.

A key section obliges the Government of the day to conduct impact analyses before opening up new areas of the continental shelf to petroleum exploration. The idea is that the interests of the oil and gas industry should be balanced against those of other industries and communities which could be affected by the advent of the new activity.

Studies must be made of possible pollution hazards, and of the likely economic and social repercussions. Local authorities and organisations must be invited to give their views. Documents summarising the information collected must be submitted to the Storting, which has the final say in determining where the rigs may go.

The NPD, advisory arm of the Ministry of Petroleum and Energy, has been given a central role, under the law, in supervising the safety of petroleum-related activities offshore



They included the Civil Aviation Authority (helicopter traffic to and from platforms), the Telecommunications Directorate, Coastal Directorate, Meteorological Institute, the Directorate for Inflammable and Explosive Substances, and so forth.

The fact that the NPD now has the authority to set safety standards in all these areas will make life much simpler for the operator oil companies. At the same time, the Directorate will be able to draw on the expertise of officials in the specialist bodies, as necessary — to consult the Maritime Directorate, for instance, on the design of a new type of lifeboat.

Of the NPD's 300 or so employees, about 120 are at present working with safety issues, according to Mr Magne Ognedal, the safety director. He thinks that an additional dozen or so may be needed.

Supervision of a large and complex industry by such a relatively small number of people is possible because Norway — like Britain — makes the operator oil company responsible for actually enforcing safety offshore. The Norwegians call this arrangement "internal control." They have gone further than the UK authorities, however, in that they require operator companies to submit detailed descriptions of their routines for internal control or self supervision. The task of the NPD is then — partly through spot checks — to ensure that these routines function.

Mr Ognedal says several oil companies initially resisted this requirement, introduced in 1978 — the year after the Ekofisk blow-out. Others were convinced that their organisations already provided for supervisory routines — and were surprised to find out that they did not.

"It's taken them about seven years to get it organised," he commented. "But now they approve of the concept. Some have applied it to their opera-

tions in other parts of the world."

The new law makes the operator company on a field responsible for enforcing safety standards not only for its own employees but also for construction crews, catering workers, and so forth employed by its sub-contractors.

Although the petroleum law has now taken effect, the NPD has barely begun the huge task of revising safety regulations under the measure. A main aim will be to move away from detailed rules and towards what the Directorate calls "more result-oriented requirements."

That is, to specify what is to be achieved, rather than how. This takes account of the fact that offshore technology is constantly evolving. It will also give the licensees "freedom to select solutions which are cost efficient, within the legal framework stipulated by the authorities."

One paragraph in the new law could be put to the test in a Supreme Court case next month. At issue is whether the Norwegian state has the right to change its own rules about how frequently production royalties should be paid. A royal decree of 1968 said they should be paid bi-annually, three months after falling due. A later royal decree, in 1972, required them to be paid quarterly, a month after falling due — but did not explicitly annul the 1968 decree.

Phillips Petroleum, operator on the Ekofisk field, has so far won two rounds of a legal battle about this. It is claiming a refund on the extra interest costs it has incurred by switching to quarterly payment. The sum has already passed Nkr 100m (\$8.95m) and could amount to Nkr 650m, over the whole life of the field.

The petroleum law explicitly annuls both the 1968 and 1972 decrees. The Government hopes that even if the Supreme Court rules in Phillips' favour, Norway's liability to refund interest will therefore end from July 1 this year, when the law took effect. This may be over-optimistic, Phillips' lawyers have indicated that they may challenge the annulment of the two decrees on the grounds that the Norwegian constitution forbids retroactive legislation.

The decision could affect the tax treatment of around 35 other oil companies, and cost the Norwegian state millions of dollars. Licences for the Frigg, Valhall, Ula, and Heimdal fields also predate the 1972 decree.

## Capturing the spirit of great gardens around the world

BY ROBIN LANE FOX

SOMETIMES, non-gardeners think gardening is parochial. It may even seem so to gardeners, as they struggle to plant dahlias before they rot and put out a weed lawn for what, with luck, will be the last time.

The story of gardening is a history of world-wide exchange and contact, from which modern styles have been born. English gardens are world-famous but some of the best-known are not narrowly English at all. Like their flowers, the inspiration for their plan comes from abroad, from Italy or the Near East and the evergreen style of the Mediterranean.

However, few of us have a chance to see remote gardens and appreciate these exchanges round the globe. Most of us are nearer home. Botanical gardens are not publicised like beaches.

Perhaps Peter Coats's new book will help to choose your next itinerary. The English writer of gardens is more widely travelled or better informed about gardens elsewhere in the world.

In 1943, he was comptroller of the Viceroy's residence in Delhi. During the war he won a familiar battle — against the taste of a professional English gardener — who liked the Viceroy's flowerbeds with red and orange, compounded by that Indian favourite, the purple-leaved canna.

Since then, Peter Coats has helped to design many gardens and has travelled as the garden editor of *House and Garden* magazine for more than 30 years.

Beautiful Gardens Round the World is his tribute to much he has seen and photographed. Published by Weidenfeld at £15, it has added a dozen or more gardens to my list of essential visits in the next 20 years.

My abiding impression is the spirit and audacity of the greatest garden owners. In Maryland, the gardens of the late Henry Ladew are famous for topiary, an old European art. However, when topiary was transplanted to the U.S., it acquired a new range: green swans, green swags of decoration round gateways of classic yew and on the lawn, a topiary moment to Henry Ladew's days in Leicestershire when the best of British hunting was incomparably good.

A topiary fox runs across the Ladew garden's lawn, eternally pursued by a topiary pack of hounds, who will never quite overtake him. Henry Ladew took no advice. He preferred to make his own mistakes and his

garden is a tribute his sense of architecture.

On the west coast of Canada, the bold Mrs Butchart has set a fine example to businessmen. The Butcharts were cement producers whose fortunes derived from a deepening pit in British Columbia. It looked a fearful mess and as the business grew, the mess, as usual, grew with it.

In the 1920s Mrs Butchart decided to turn the pit-face into a garden. She ordered a lake for the quarry, hundreds of tons of topsoil and a special chair-lift supported by ropes, from which she could push the cracks of the rock which the quarry's business had exposed. The gardens are still flourishing and Peter Coats considers them "the happiest chateaux of flower and leaf colour."

Yet be hope for Corton Wood.

Across the world, three styles seem to have been transplanted most widely: the English, the Japanese and the West Mediterranean, which traces its roots to Italy. I exclude the style of park bedding-out which is usually blamed on France, but which is, I think, indigenous when the trees are left to make a show in a formal landscape.

In Australia, Peter Coats has found some charming echoes of soft English-colour schemes. The influence of Japan is obvious in external pagodas and stone lanterns, narrow waterfalls and bogus bronze water-birds.

As he well remarks, Japanese gardening belongs with the country's own distinctive landscape. Japan has no broad rivers, and so water, in Japanese gardens, is classically modelled on narrow streams.

Who else has toured the country's own distinctive landscape, planted an avid in pre-revolutionary Portugal and walked on terraces of "convict bearn stone" in New South Wales? In South Africa, he shows us a charming garden at Rustenberg, those walls were quarried by those "magnificent labourers, Italian prisoners of war."

I notice how many of the boldest gardens were made in the first three decades of this century when travel was undertaken to open a window on other tastes and styles. The late 20th century is also an age of huge, personal, forges, better, machines and ever-increasing advice. But I wonder what the camera of the next Peter Coats will be able to record around the world, 60 years from now.

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**THE FUTURE** of Westland, Britain's only indigenous helicopter manufacturer, will be determined within the next few weeks. Unless some awkward political decision is taken in its favour by the end of November, Westland's position will be precarious.

The political dimensions of its problem started to become clear yesterday when anxious Members of Parliament raised a batch of questions about future relations between the Ministry of Defence and the company. For its part, the Government is having to balance its wish to curb public spending, particularly in the defence area, against the strategic and industrial importance of maintaining the only British supplier of an important piece of military equipment, and one which supports a large number of employees and sub-contractors on the strength of its specialised design and production skills.

Other helicopter manufacturers around the world are either state-owned—like Aerospatiale of France—or part of large conglomerates, like Sikorsky or Bell of the U.S. The central problem for Westland is that it is a small independent company, with total sales of under £300m which is mainly engaged in a capital-hungry activity in a market which competes in what has for some years been a very difficult international marketplace. It has exposed itself to a degree of financial risk which now threatens the whole business.

Westland does not face a short-term cash crisis, but it has a serious balance sheet problem. Its financial year ended on September 30, and around the end of next month the auditors will have to form a view of its financial health.

Hence the tight timetable. The immediate question concerns the value of work in progress on a contract which has yet to be finalised for 21 Westland 30 civil helicopters being built for the Indian Oil and Natural Gas Commission, six more for VIP transport in India. Work was well under way on this programme at Westland's own risk when Mr. Rajiv Gandhi, the Indian Prime Minister, placed its future in doubt this spring. As a result, the company is now carrying an abnormally high inventory of work on the Westland 30, currently valued at £1.5m. In a market where civil orders are few and far between, the real value of this work would be very doubtful if the Indian contract were to fall through.

Although the details were discussed when Mr. Gandhi was in London last week, the general view in Whitehall seems to be that India will indeed finalise a contract with Westland. But it is highly unlikely whether this will be done in time to be reflected in the forthcoming balance sheet.



Sir John Cockney



Westland's helicopter gunship, the Lynx-3, set new capacity standards

## Indian order in the balance

# The clock is ticking away at Westland

By Richard Lambert

Moreover, even if the Indian order can be settled soon, Westland may still have to face up to the need for significant provisions in its forthcoming accounts. Under its old management, which was replaced this summer when the scale of the problem became obvious, the company had geared itself up to build as many as 400 Westland 30 helicopters over the rest of this century. This is far in excess of what now looks like the most optimistic projections.

Price Waterhouse, the accounting firm, has completed a special review of Westland's operations which it started this summer, and has apparently turned up no new skeletons. But there are still a number of existing skeletons to be taken care of.

Sir John Cockney, veteran of many corporate takeovers, was appointed chairman in June. In the delicate way that these things are put, his appointment came at the suggestion of the Bank of England, which had become alarmed at the turn in Westland's fortunes.

This became all-too-apparent earlier this month when Bristow Helicopters abandoned an £80m bid for the company at the very last moment. Bristow was a company specially formed by Mr. Alan Bristow, a leading helicopter operator with the backing of City institutions, and it made little secret of the fact that Westland's deteriorating financial health had caused it to think twice about the takeover.

Sir John now finds himself with one of the most complicated problems he has faced in a career which has included the hot seat at such troubled institutions as the Crown Agents, the Port of London Authority, and John Brown. Westland's borrowings are pushing up towards £100m. These are supported by shareholders' funds which were shown in the last balance sheet at £125m. But the obvious doubts about the current worth of these assets are evident in the stock market value of the company, which after a recent rally in the share price is around £50m.

Given this fragile financial structure, together with what promises to be a very lean workload over the next 18 months or so, Westland is inevitably heading for some form of financial restructuring. Like his predecessor, Sir John is looking for "an association with a substantial international business." Ideally, such a partner would be a helicopter manufacturer able to come up with a cash injection in return for a minority stake in the UK helicopter business, together with an input of new work to carry the company through the present shortage.

But there are obvious difficulties involved in pinning down a partner at a time when the financial position is so uncertain. As a result, the management has to resolve a series of interlocking issues in the coming weeks.

If the Indian contract is not finalised in time, will the British Government be willing to stand behind the order in any way? Will the UK Government

also be able to give any indication of its future helicopter requirements—something which would certainly help the company in its search for a partner? Will Westland indeed be able to attract a strong international partner—and on what terms? Will any final package be acceptable to shareholders and, more crucially, to the banks?

One irony is that the Indian order, if it goes ahead, will in effect be entirely financed by the British taxpayer anyway, through the overseas aid programme. There have been suggestions that if the worst happened, the British could find a use for the helicopters—perhaps in Northern Ireland, or in some reserve role.

But Mr. Michael Heseltine, the Defence Secretary, is said to be taking a robust line—and no wonder. He faces a tough period in the coming weeks at the hands of the "Star Chamber," which is trying to reconcile government departments' spending plans with the overall expenditure programme. And he is also anxious to develop a more competitive and commercial procurement programme. Helping out Westland could make both these tasks more difficult.

The Ministry of Defence is also thought to favour the idea of a European partner for Westland, which would make sense in the context of collaborative defence programmes. But Westland seems to have set its eyes on a U.S. collaborator—Sikorsky, for choice—on the view that this would form a more stable marriage.

The company has quite a lot to offer to potential partners. Westland would provide an important strategic foothold in the UK market; a broad range of military experience with special expertise in the market for naval helicopters; and some promising developments over the medium term. Its cash flow should start to improve substantially after the end of next year, when deliveries get under way on a programme of Sea Kings for the Indian Navy. Further ahead, there are high hopes for a new generation of anti-submarine and utility helicopter—the EH-101—which is now being developed in partnership with Agusta of Italy with the full support of the UK and Italian governments.

From the company's viewpoint, probably the only solution would be a collaborative approach in which the banks and existing shareholders would join with a new associate and the British Government to create a new Westland—with a clean balance sheet, a steady workload, and a broader technological and commercial base. But that will involve getting a lot of ducks in the air at the same time—and the clock is ticking away.

## Museum charges in Britain

# The wrong way to ask visitors to pay

By Walter Elkan

AT THE beginning of November the Victoria and Albert will be the first of the large London museums and galleries to request visitors as they enter to make a voluntary donation of a specified amount. The museum proposes to ask adults to donate £2 each. The Government is now encouraging, or even obliging, museums to find ways of supplementing their Exchequer grants, and it announced in July that in future they would be allowed to keep what they earned in whatever way they chose to earn it.

What the V & A proposes is perfectly justifiable, but the way it intends to go about it leaves something to be desired. Note that what is proposed is a specified donation, not an admission charge. Admission charges were tried in the early 1970s but they were so disliked that after only three months they were abandoned following the "miners' election" of February 1974 in which Labour had promised to abolish them. The National Maritime Museum reintroduced admission charges last year, but only after ensuring that local residents would be exempted, and that the charges would not result in a reduction in the numbers who came from further afield.

In principle, it is difficult to object either to admission charges or requests for specified donations. Remember that many of the taxpayers who currently provide the £80m to finance the centrally funded museums are visitors are predominantly the middle classes. Why should the poor finance the pleasures of the rich?

An English Tourist Board survey showed that in 1981 24 per cent of British adults visited a museum at least once. Of the total, 41 per cent were from the professional, managerial and administrative social classes (AB), 31 per cent were white-collar workers and only 14 per cent were from the socio-economic categories DE—the unskilled and the poor. For the V & A, the British Museum and the Tate the proportion from the top socio-economic group was even higher.

Insofar as the less affluent go to London museums at all, they

tend to go to the Science Museum, the Imperial War Museum and the National Maritime Museum. There are also, of course, very large numbers of foreign visitors. They come mostly from countries where they are accustomed to being asked to pay and perfectly able to do so. Again, there is no good reason why "poor" taxpayers should support more affluent tourists from abroad. It is, on the whole, not the visitors but museum staff who are apprehensive about the idea of asking visitors for money.

But there is, in any case, a difference between charging outright for admission and encouraging visitors to make a specified donation. A voluntary donation is surely preferable. No one has to pay, let alone the amount suggested. It is simply an extension of the collecting boxes already found in all museums. Such an extension is long overdue because what is currently deposited in them is derisory. In 1980 10m visitors to the National Gallery, the British Museum, the Tate, the V & A and the National Portrait Gallery placed the lordly total of £3,063 in their collecting boxes. Since then, there has been a drive to make these a little more conspicuous so that the BM, for instance, has collected over £30,000 in less than a year. But the BM also had over 3m visitors, which works out at one penny a head. It could surely hope to do better.

One way which is virtually certain to lead to an increase in the amount donated is to have the collecting boxes manned. It is not quite so easy to ignore human beings as unmanned inanimate boxes. Nor will many people object to a specified amount, provided it is regarded as reasonable.

That is what the V & A had in mind. One must wish every success. There are, however, reasons to be a little apprehensive. First, the survey showed £3 per person, even with a reduction to 50p for children, students and OAPs, is still quite a lot, though people will of course be free to donate less. The Metropolitan Museum in New York suggests \$2.50

(£23). But in America average incomes are very much higher. Even so, that \$2.50 often causes resentment, which it would surely be better to avoid.

Secondly, voluntary should mean voluntary, and there are indications that the V & A intends to put people under a good deal of moral pressure. This is in marked contrast to Salisbury Cathedral which has really been the pioneer in all this: from March to October it asks sightseers to donate 60p (50p for OAPs and children)—with a maximum of £1.80 for families. If anyone demurs, objecting perhaps that a cathedral is a House of God which one should not have to pay to enter, he or she is at once ushered in, and with great courtesy. Donations in Salisbury are truly voluntary.

Thirdly, there will be about 10 paid employees. At Salisbury it is all done by the Cathedral's Friends. There are many women whose children are at school or grown-up or men retired from their jobs who would welcome the opportunity to give part-time voluntary service and to be in contact with others who share their interest in the arts. To use volunteers would take some organising, and one would need one or two paid organisers. But that may be preferable to a staff of 10.

In brief, neither admission charges nor voluntary but specified donations will do more than supplement the grants which museums must continue to receive from the Government. But it does not seem intrinsically wrong to expect visitors to contribute a little more than a penny a head. Provided the amounts sought do not deter potential visitors, it is difficult to see what the objection is. Contributions from the public will give the big London museums and galleries a little more elbow room. If genuinely voluntary donations are chosen in preference to admission charges, no-one who really objects or cannot afford to pay will stay away. One must hope and pray the V & A scheme will be a success. If it is not, others will be deterred.

Walter Elkan is professor of economics at Brunel University, West London.

## Secret exchange rate aim

From Dr J. Bray MP

Sir—In abandoning the medium term financial strategy the Chancellor has acknowledged the error of that concept for which he was largely responsible. But he appears as confused as ever.

The Chancellor seems realistically to have given up hope of establishing the credibility of any measure of the money supply which could take the main burden of acting as an intermediate target.

He now says further that money GDP cannot be an intermediate target. This is false enough. It does not fulfil the operational requirements of being continuously or even quickly measurable. It is also not a final objective since "the inflation rate is judge and jury." Its rejection as a final objective will upset Mr. Samuel Brittan, but no one else. There is no reason why the Government should seek to reduce real growth as well as inflation.

But, the Chancellor says, reasonably enough, "it remains operationally necessary to conduct monetary policy through the use of intermediate targets—taking account of relevant information such as the behaviour of the exchange rate."

This use of intermediate targets may be just a matter of official judgement, as your leader (October 18) expects, or it may not. It may look at the levels, or just the rate of change, of the exchange rate, or both. But the logic will be kept secret, and neither the financial markets, nor industrialists, nor longer term investors, will be given any indication of the real or nominal exchange rate at which the Government is aiming or expecting.

So in forming their expectations economic agents will have no information on the intended course of Government policy in the shorter or longer term except that it is against inflation. Taken literally on its own, that would mean forcing the exchange rate up again to even more uncompetitive levels, artificially to keep down prices at the cost of further loss of output and employment. I would not expect such folly even of this Government.

A rationale can be given to the Chancellor's words and actions by the use of some such arguments as I set out in this second special report of the Treasury and Civil Service Select Committee (1982-83) International money arrangements. It sets out the use of the exchange rate as an intermediate target along with other intermediate targets and final objectives, including inflation. The Treasury now have the methods working on the Treasury model.

I shall not embarrass the Chancellor by asking if he is

## Letters to the Editor

now running this apparatus operationally to give guidance on policy. But I would point out that the one aspect of the medium term financial strategy that does remain valid is the value of announcing the quantitative basis of government policy in the short and medium terms. That the Government is not now doing.

The Chancellor voted for my amendment to the Industry Act 1978, requiring access to the Treasury model. Let him now follow through the logic of that act by giving markets access to the apparatus and guidance by which they can form rational expectations of future Government policy in the more complex phase on which it is now embarked. There are good grounds for believing such expectations would lead to a more stable and better aligned exchange rate—rather better grounds than the Chancellor had for the original medium term financial strategy.

(Dr) Jeremy Bray,  
House of Commons, SW1

### Tight rules—low demand

From Mr K. Stirling  
Sir—The item entitled "Demand for loan scheme at record low" (October 17) while I am sure is factually correct, is potentially misleading. Having lost more than £80m, with a failure rate of some one in five companies supported, the Government "ran for cover" last year. The rules were tightened up to such an extent that it is hardly surprising that demand is now at a record low. In a cynical moment one might suggest that the scheme to all intents and purposes was condemned a year ago and the deliberations now under way are merely cosmetic.

What ever comes in place of the present scheme will hopefully be better thought out and not simply left in the hands of bankers and civil servants.

Kenneth Stirling,  
West Challow,  
Wantage, Oxfordshire.

### Energy prices

From Mr P. Wright  
Sir—It is interesting to compare your editorial on the coal industry (October 17) with the front page article by two of your correspondents on the gas industry of the previous Monday.

In discussing the possibility

of a substantial increase in gas prices in order both to make British Gas more attractive for privatisation, and to raise cash for the Treasury to ease its battle with spending departments, your correspondents claim that "Electricity prices would probably also rise for competitive reasons" (sic).

Then, in the editorial you proceeded to advocate falling prices for coal, again for "competitive reasons."

Thus, employing remarkably twisted logic, you appear to be applauding one exercise of monopoly and one falling power purely for political reasons by the gas and electricity industries, while denying any such privilege to the coal industry. The result of rising electricity prices and falling coal prices will, of course be super profits for the electricity industry (no cheaper electricity for the consumer), a performance which will probably be taken to indicate efficiency.

Part of these monopoly/monopoly super profits will then be levied by the government and passed back to the coal industry under the label of "subsidy."

How anyone can pretend to rely on such a "market" to generate rational allocational signals for energy industries is beyond me.

Philip Wright,  
University of Sheffield,  
85, Wilkinson Street,  
Sheffield.

### Market economies and Governments

From Mr P. McGregor

Sir—Now (October 17) that Samuel Brittan has explained to us that his real love is double entry book keeping rather than economics, perhaps he should be invited to explain it to the Japanese who clearly do not understand it since they seem to find no difficulty in building up a massive trade surplus without the year reaching uncompetitive levels. No doubt they would have found a way of doing so had their exports been off rather than their imports. Or perhaps, more usefully we could invite a Japanese to explain why they do not believe in double entry book keeping, at least not when dignified as pseudo-economics.

Of course there is a sense in which there has to be a short-term accounting payments balance for the world as a whole. But since we are not

dealing Treasury-style, with sweetshop bookkeeping, we can remind ourselves and Samuel Brittan that neither the world nor the national economies are run on games, which is what his accounting analogy was really suggesting. Indeed it is the strength of the market economy system that this has been so conclusively demonstrated. But market economies do not function when Governments make daft decisions which create havoc among businesses. This is especially true of supposedly supply side Governments which do not even ensure supply.

People like the Lord's committee are concerned for the future just because (to answer one of Samuel Brittan's questions) capacity has been destroyed in the partly Government-created recession and we have shortages of skilled labour which the Government is doing nothing like enough to rectify. This is why there is some shortage of spare capacity now, and why it is hard to see how "as the oil surplus runs off, the balance in non-fuel trade, including manufactures, will improve again."

Peter McGregor,  
Peters, Troutstream Way,  
Loudwater, Herts.

### Technological future

From the Editor, The Engineer  
Sir—Samuel Brittan's eloquent attack on the House of Lords select committee on overseas trade (October 17) cuts little ice. For Mr Brittan's elegant economic theory and faith in the balance of trade both ignore one vital fact.

You cannot turn manufacturing industry's competitiveness and inventiveness on and off like a tap.

Of course when the oil surplus runs down, the effect on the pound will be favourable for manufacturing industry's trade. But that trade also relies on having the right products for the market place: the technology is as important as the price.

The worry which the report accurately pinpoints is that the erosion of the manufacturing base and the comparative lack of investment in research and development will leave Britain technologically ill-equipped to get the right products to the right markets at the right prices.

Already the evidence from the government's statistics is that the trade deficit in manufacturing is at its worst in high technology sectors such as electronics and computing. If there are fundamental gaps already in our national technological competence, how can we face the future with any confidence that manufacturing industry will be able to make good the hole left by the decline of oil? John Phillips,  
30 Calderwood Street, SE18.

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## FINANCIAL TIMES SURVEY

Reform has once again begun to edge into Czechoslovak industrial policy. New opportunities are being sought in the West to balance safe markets within Comecon, and a strong trade surplus is being used to reduce hard currency debts.

## Less rigid approach to central planning

BY DAVID BUCHAN

STEEL OUTPUT of one tonne a year for every single Czech and Slovak, the pollution eating into the Baroque statues on Prague's Charles Bridge, the wide range of engineering wares spread out to the world at Brno trade fairs, the man-made blight on the forests of northern Bohemia—all mark Czechoslovakia out as a country with a distinguished industrial past and present, at the same time showing some acute symptoms of industrial middle age.

Parallels with Britain are not far-fetched. Czechoslovakia has in Comecon (which takes 75 per cent of its exports) the secure and undemanding market Britain once had in its empire. It still has a heavy industrial and engineering base—covering some 70 per cent of the major product lines traded in the world—that Britain had, before recession, Mrs Thatcher, and EEC integration forced it to specialise.

It has brainpower, but, like Britain, complains that its best inventions often find a home elsewhere, such as the Czech patented, soft contact lens developed in the U.S. It faces stagnation in steel, and contraction in the mining of its subterranean brown coal, of the sort that Britain has recently undergone in speedier, but more brutal, manner.

The only truly catalytic chain of events in Czechoslovakia's post-war history—the Prague Spring of 1968, the Soviet intervention, the "normal-

isation"—retarded, instead of accelerating, change in economic management and policy.

Yet, the glacier is moving again. Four years ago, modest reforms going under the anodyne rubric of "the set of measures" were instituted. Central planning has become less rigid, particularly in agriculture, and closer links have been forged between manufacturers and their foreign markets. So far, however, there has been little success in widening wage differentials (to create incentive) and in encouraging one-man private businesses (to plug the gap in services).

Just as further reform seemed stalled for lack of sufficient political weight behind the process in President Gustav Husak's Government, outside pressures for change are asserting themselves. From the West comes the tightening of controls on what Western high technology Czechoslovakia (and other Soviet bloc countries) can buy. This makes it all the more necessary for Czechoslovakia and its Comecon partners to pool their technology resources, and at the same time, to exploit to the maximum the Western know-how that can be obtained.

Thus, Czechoslovakia has this year decided to join the majority of Comecon countries that permit direct foreign investment in the form of joint ventures. It is also pressing Brussels harder than ever to allow more of its glass, ceramic, shoe and other industrial com-

# Czechoslovakia

## TRADE and INDUSTRY



Mr Gustav Husak, President of Czechoslovakia and the headquarters of Motokov, the foreign trade organisation for road vehicles

sumer goods into the EEC market—making it likely that, if and when Comecon and the EEC reach a framework political accord, Prague will be one of the quickest to negotiate a bilateral deal with the EEC.

From the East comes a more significant agent for change, Mr Mikhail Gorbachev, whose most signal impact on Eastern Europe so far has simply been to make the idea of reform acceptable. The apparent substance of his reforms—to make

central planning more efficient—suits the Husak Government which is not disposed to risk Hungarian-style market socialism.

The style of Mr Gorbachev, with his televised walkabouts, may far with that of the staid Prague leadership but, for precisely that reason, it has rekindled a sense of political excitement long lacking among Czechoslovakia's technocrats and youth. Hitherto their attention has been more focused

on acquiring imported pocket computers or following the fortunes of their country's tennis super-stars.

These ripples across the political waters, leading perhaps to a gentle wave or two at next March's Communist Party congress, coincide with better economic times since the doldrums of the early 1980s. Czechoslovakia had no hard currency surplus on its trade with the West to spare when, in 1981-82, it was hit by the

general Western credit squeeze on Comecon in the wake of the Polish and Romanian financial crises. It was thus forced to cut imports, which in turn affected industrial output, wages, and the standard of living. At the same time, rising prices for Soviet energy and raw materials made it necessary for larger deliveries of industrial and consumer goods to be shipped eastwards in payment. Recovery from this double

### Growth in industrial output in selected sectors (100=1948)

	1970	1980	1983
Steel	608	902	909
Engineering/electrotechnical industry	1,414	2,925	3,306
Chemicals/rubber	1,534	3,270	3,481
Construction materials	872	1,486	1,492
Woodprocessing	544	1,027	1,100
Glass, ceramics and porcelain	511	909	961
Textiles	350	554	586
Leather	395	622	643
Food	371	534	552

Source: 1984 Statistical Yearbook.

disadvantage has been painful, but steady, with national income rising by 2.3 per cent in 1983, and 3.2 per cent last year. This year the same percentage growth is again planned. Much improved harvests, including a record 12m tonne grain crop last year, coupled with a very cautious approach to importing from the West, have pushed the country into sizeable surplus on its hard currency trade—around \$1bn in 1983, more than \$800m last year and about \$550m in the first half of this year.

Only part of these gains have been passed on immediately to the population. Overdue price rises in such staples as petrol and the excellent Czech beer meant that real wages (which fell 2.3 per cent in 1982), increased only by 0.8 per cent in both 1983 and 1984.

Living standards, are high by Comecon standards, food is plentiful and cars are in reasonable supply. Alone among Soviet bloc countries Czechoslovakia lends money to consumers to buy cars (Skodas, of course). This situation has long applied, however. More worrying is that last year's level of domestic absorption of the national income—in other words, total satisfied demand for material goods and services—was still 2.8 per cent below its 1980 peak.

Instead, the trade surplus has been mainly directed towards achieving one of the Husak government's "strategic" goals: reduction, and, in net terms, elimination of, the country's hard currency debt. The exact size of this is a state secret, but Western sources put gross debt at the end of last year at some \$3.3bn and net debt (with Czechoslovak assets

in western banks and reserves subtracted) at \$2bn.

The position has further improved since then, according to Mr Jaroslav Kroh, general manager at the National Bank, who claims that Czechoslovakia "now has higher claims and assets in convertible currency than debts." So, on paper, the country is now a net creditor, rather than debtor, though Mr Kroh admits that some of these paper claims on financially strapped trading partners like Iraq are not easily or immediately cashable.

Czechoslovakia has drawn from the experience of Poland, Romania, and even Yugoslavia, the lesson that it was quite right to be a cautious borrower in the 1970s' East-West trade boom. It has redoubled its caution since then, taking out in the past three years only two syndicated euroloans (\$50m organised by Deutsche Bank in 1983 and \$100m led by Credit Commercial de France this summer) though all the while it has been using standard bank-to-bank loans and suppliers' credits for trade.

Future borrowing will, says Mr Kroh, depend on the political temperature of East-West relations, commercial terms (currently excellent for such a conservative borrower as Czechoslovakia) and investment at home.

Czechoslovakia is likely to become slightly more active in the Euro-markets in the next five years, because investment will rise to 840bn crowns, slightly above the 1981-85 level.

But just as the State Bank is adopting a tighter monetary policy at home (allowing credit to expand no faster than the

CONTINUED ON PAGE 6

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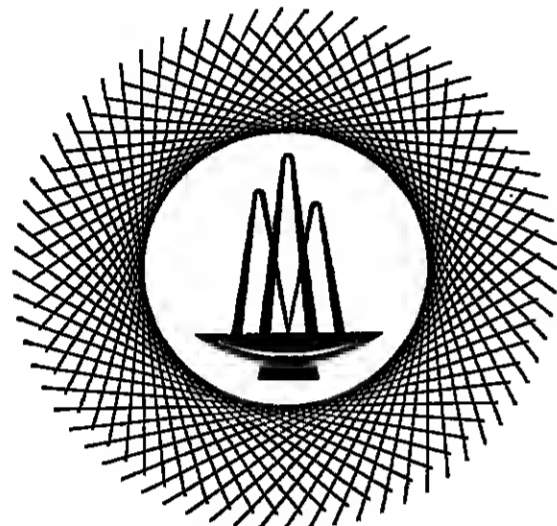
## Czechoslovakia 2

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## BRNO THE PLACE TO GO FOR SUCCESS IN BUSINESS

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International Exhibition of Industrial Robots	
INTERNATIONAL CONSUMER GOODS FAIR	23.4 - 29.4
INTERMODA 86/87	23.4 - 29.4
INTERNATIONAL DOG SHOW	5.7 - 4.7
INTERNATIONAL ENGINEERING FAIR	17.9 - 24.9
INTEX	22.10 - 28.10
International Exhibition of Inventions and Novel Features	
INTERNATIONAL EXHIBITION OF SMALL ANIMALS	29.11 - 30.11



For full information, contact:  
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### Czechoslovak Trade & Industry - 18th October 1985

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| 5 Esco        | 14 Polytechna   |
| 6 Ferromet    | 15 Praginvest   |
| 7 Interstigma | 16 Srojlimport  |
| 8 Kerametal   | 17 Skodaexport  |
| 9 Kovo        | 18 Technoexport |

Name/Position  
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Nature of business  
Number employed: Under 20 ☐ 20-200 ☐ over 200 ☐

## Higher imports from West will curtail trade surplus

### Foreign Trade

LESLIE COLTIT

THE RADICAL post-war shift in Czechoslovakia's foreign trade towards the Soviet Union and Eastern Europe accelerated in the current five-year plan ending in December and was accompanied by a corresponding decline in the share of trade with the West.

Between 1981 and 1984, trade with the Socialist countries rose from 72 per cent of Czechoslovakia's total trade to 78.3 per cent of which Comecon's share was 73.5 per cent. The 20.9 per cent share of western industrial countries in 1981 fell to 15.7 per cent by 1984.

Foreign trade officials in Prague, however, say the steep rise in prices for imported Soviet oil accounted for a large part of the growth in Czechoslovak trade with Moscow. The Soviet Union's share of Czechoslovak trade soared from 35.8 per cent in 1980 to 45 per cent last year.

In the first six months of this year the share of the socialist countries in Prague's trade rose further to 80.3 per cent. Trade officials, however, said they expected this to fall as Soviet oil prices levelled off.

According to the Czechoslovak officials the 13.3 per cent decline in Czechoslovak imports from Organisation for Economic Co-operation and Development members between 1980 and 1984 was not dictated by any scheme to intensify the country's already powerful links with its eastern trading partners.

They point out that in the second half of the 1970s Czechoslovak imports from the West were on average 20 per cent higher than exports. This alarmed the financially conservative leadership which decided to boost exports instead of increasing borrowing, as was done elsewhere in Eastern Europe.

Imports from the West were to have been kept at their previous level but a combination of factors altered this plan.

The Prague trade officials blame the recession in the West and an "enormous increase" in protectionist measures for the failure to boost exports to the West. This, in turn, made necessary a sharp reduction in imports.

At the same time, they acknowledge that Czechoslovakia's worsening terms of trade with the West as a result of certain sectors using mainly local materials, such as glass, ceramics and costume jewellery, have been allowed more say in how their goods are sold abroad and at what price. They have also been permitted to use a higher percentage of their profits to pay bonuses to workers.

Three years of experience has shown "very good results," Mr Urban says. The scheme will be extended to other sectors processing local materials for export, in particular wood, furniture, paper and pulp.

Two FTOs have been more closely linked with three producing enterprises—the Kovo electronics trading organisation with that part of the big Tesla enterprise that makes laboratory and measuring equipment at Brno, and the Motokov vehicle trading organisation with the Skoda car enterprise and the Agrozet enterprise at Brno which makes tractors and agricultural equipment. Mr Urban says this has improved the manufacturers' knowledge of the world market and their

price competitiveness against foreign opposition. But the minister states that this experience exerts "unsatisfactory" pressure on the FTOs, and that he is still looking for a better formula.

One producing enterprise, Sigma, a noted maker of pumps and pipes, has been given the right to conduct its own trade directly through a new organisation, Interstigma. The results over the past three years have not been good. But Mr Urban admits this may just be because of the general world stagnation in engineering goods. So Interstigma is being given a further two years to prove itself.

The trade minister says some other forms of integration between producer and FTOs are now under preparation. Czechoslovakia may end up with a hybrid system, reflecting widely differing conditions in different sectors.

Form is of secondary importance," says Mr Urban, "what is important is the motivation of people and incentives."

Western companies exhibiting at the Brno Fair last month said orders from Czechoslovak foreign trade organisations had picked up somewhat, while queries from them had risen. They see the country's need for modern Western machinery and equipment to be enormous, but expressed doubts that the economic planners were prepared to pay the price; that is, to increase, significantly, borrowing for such purposes.

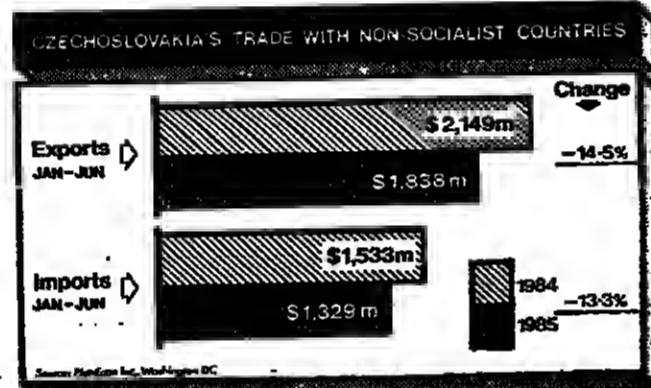
While Czechoslovakia has specified priority areas, such as the engineering industry, which are to get "increase," western imports of electronics, only a sector of the industry, like machine tools, will actually get the larger volume of imports. This, in the view of western trade counsellors in Prague will make it difficult to do more than plug holes.

The first deputy Minister of Foreign Trade, Mr Frantisek Langer, confirmed in Brno that although Czechoslovakia had larger sums of money to buy western machinery and equipment, it would remain "very discreet" in its investments.

"We want to remain trustworthy partners," he noted, "promptly fulfilling all our financial obligations, also in the future."

Although Czechoslovakia's foreign debts are to be virtually eliminated by next year, trade officials in Prague still speak of a need to reduce debts while noting that the level of imports from the West, as in the past, will depend on exports.

The problem here is that 57 per cent of Prague's exports to OECD members last year consisted of fuels, raw materials, metals and chemicals, while only 10 per cent were made up of the machinery and equipment in which the country specialises.



## Seeking to demolish barriers

### Economic Reform

DAVID BUCHAN

ONE PARTICULAR goal of economic reform has been to try to make manufacturers more responsive to foreign markets. Like other Comecon countries, Czechoslovakia has found that the existence of foreign trade organisations (FTOs), each with its monopoly on trade in a certain sector or product-line, and with accumulated commercial knowledge and marketing skills, has tended to isolate producing enterprises from the markets they are supposed to be serving.

So, like many of its Comecon partners, Czechoslovakia is seeking to break down these barriers between producers and traders.

Since 1981 three experiments have been introduced with "mixed results," says Mr Bohumil Urban, the Trade Minister:

- Producing enterprises in

certain sectors using mainly local materials, such as glass, ceramics and costume jewellery, have been allowed more say in how their goods are sold abroad and at what price. They have also been permitted to use a higher percentage of their profits to pay bonuses to workers.

Three years of experience has shown "very good results," Mr Urban says. The scheme will be extended to other sectors processing local materials for export, in particular wood, furniture, paper and pulp.

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Form is of secondary importance," says Mr Urban, "what is important is the motivation of people and incentives."

## Model of impressive efficiency

### Slusovice Collective

MARK MEREDITH

IF YOUR car breaks down in Czechoslovakia these days, a passer-by may quite likely suggest you take the vehicle to Slusovice, a collective farm in Moravia about 220 miles east of Prague.

Slusovice (pronounced Sloosovitsa) is something of a national curiosity: a model of impressive efficiency and good management in some contrast to much of the rest of the economy. The passerby really means that only there are you likely to get the kind of service you really want.

In this co-operative farm is the acceptable face of reform in the deeply conservative political setting of Czechoslovakia. Within the relatively safe preserve of agriculture is an enterprise coming up with new

ideas and offering other parts of the economy a lesson in how to run things.

Slusovice is not only a collective farm. It also produces its own IBM compatible computers has a biotechnology company, a farm machinery and runs one of the most modern horse-race tracks in the country.

An aggressive management under Mr Frantisek Kuba has used the big agricultural base of the farm to diversify into a number of other areas. In an economy with a lot of vertical industrial specialisation, such as electronics and heavy machinery, here is a body moving horizontally against the trend.

Like other co-operative farms in Eastern Europe, Slusovice is huge by western standards. It has 5,500 hectares and employs 3,200 people. Much of its success has been by default. If a product or a service is not available or is below standard, the management undertakes to generate it locally.

"Whoever produces the goods should be the one who does it better, 'cheaper and faster,'" according to Dr Frantisek Trnka the economic director of Slusovice. The approach seems to be successful in bringing technology in where it is needed, bypassing bureaucracy and responding to local initiatives.

"There should be 100 Slusovices in Czechoslovakia," he adds.

The incentives to workers are not just improved pay based on results but also the benefits of a local infrastructure that seems to really work in terms of services.

The co-operative's production is well above the national average for agriculture, and output today is over 2.6m crowns (\$383.3m). Workers from the farm, where some cowsheds were recently built in record time, were taken to Prague to set an example when a construction project needed some urgent attention.

At a factory next to the race-course, the co-operative produces computers for the

agricultural sector. Its own software for the IBM-compatible computers has also been used for other industries according to Mr Miroslav Kubic, the plant director. The work produces about 1,000 computers a year, and Mr Kubic says, there is national demand for 20,000 a year.

The co-operative worked out the record-keeping system for Czechoslovak television's sports coverage.

Slusovice's management must cause some alibis in other parts of the economy. Managers at the farm are regularly assessed on their performance. Their actions are judged on a points system of one to five, covering their achievements in introducing innovations, the way they run their units and the output and working conditions of the employees working under them.

Under-achieving managers are removed to less demanding jobs, and new talent is brought in.



## Coordinated attack on foreign markets

### Advertising

DAVID BUCHAN

"WE FACE some competition," says Dr Miroslav Hedbavny, director of Rapid, Czechoslovakia's leading advertising agency, in promoting foreign goods on the Czechoslovak market. Rapid has to contend with the curiously named "Made-In Publicity" organisation (set up in 1964), while since 1969 Rapid has had some rivalry in the promotion of Czechoslovak goods abroad from Incheba of Bratislava.

Merkur and other agencies promote purely local products on the local market. There is thus, in advertising terms, more pluralism in Czechoslovakia than any other east European country except Hungary.

Rapid, however, is the oldest agency (created in 1945 originally as a private company) and still the largest, with one-third of the industry's annual \$20m turnover, 270 full-time employees and many more part-time translators and photographers.

It is the only agency that promotes both foreign and Czechoslovak products, though Dr Hedbavny says its main function is to push the country's own exports. It does this in two ways—by advertising in foreign media, organising exhibits abroad like the forthcoming Czechoslovak Days in London, and by publishing 12 specialised foreign trade magazines, with a total circulation of nearly 2m in various languages.

"But there is also a certain co-ordination between our agencies, because we do not want to compete against each other on foreign markets," adds Dr Hedbavny. The co-ordinating is done by the foreign trade ministry, which has a small professional advertising department for the purpose.

Enterprises are also limited by their annual plans as to how much they can spend on advertising—the general rule is 4-8 crowns for every 1,000 crowns of exports. It can be more however.

Because three quarters of exports go to socialist countries, with little or no advertising, more money can be spent on promotion in western markets. Essentially, Dr Hedbavny says, the planners leave it up to the individual enterprise to decide, within its total allowance for overheads, how much it wants to spend on promotion.



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## Czechoslovakia 3

## Emphasis placed on mechanisation

Agriculture  
MARK MEREDITH

THE Czechoslovaks look like a well-fed people. Meat is on the table at almost every meal; fruit and vegetables, although in no great variety, are available and queues in the food shops are not long.

The industry behind the dinner table is getting into full stride and the first phase of collectivisation into agricultural co-operatives and state farms has long been complete. Today most effort is concentrated on improving mechanisation.

Collectivisation has radically changed the nature of farming, reducing 500,000 farms in the late 1940s to just under 3,000 today. These are huge farms by western standards—5,000 hectares on average—and many with fleets of 100 or so tractors and scores of combine harvesters.

The industry employs around 890,000 people and has a turnover estimated at 114.2bn crowns (\$4.9bn).

Czechoslovakia is a net exporter of foodstuffs. A landlocked country with a temperate climate, it needs to import goods like seafood, citrus fruit, coffee and tea.

But self-sufficiency has increased with three excellent grain harvests in 1983, a record 12m in 1984 and an estimated 11.5m tonnes this year.

The country is self-sufficient in meat and exports commodities such as Prague ham. Improving quality and output has been a struggle. A report to the United Nations Economic Commission for Europe this year reported that price rises have not just been aimed at covering cost increases but to provide incentives for improved farm performance.

A restricted amount of private sales of food is permitted. In several places in Prague, farmers sell vegetables and fruit within set price ranges. According to Dr Krecek, about 5 per cent of agricultural land under cultivation is in private hands.

To encourage mechanisation, increases in fuel costs have not been passed on to the farms. Czechoslovakia has a strong tradition in farm equipment.



To encourage mechanisation on Czechoslovak farms increases in fuel costs have not been passed on to farmers

Problems are in areas of highly specialised equipment. The more specialised these problems the less likely they are to be solved with large production runs of equipment produced within Comecon for the eastern European market.

Czechoslovakia has problems obtaining fruit and vegetable handling equipment, and these are areas which offer some opportunities to Western producers.

The overall prospects for this trade will be limited, however, as Czechoslovakia will be unwilling to spend Western currency if it can avoid it. It may look for co-operative agreements under which it will import equipment in exchange for parts or goods of equal value.

Only a small number of Western licences have been awarded due to a policy aimed at retaining a zero foreign exchange debt.

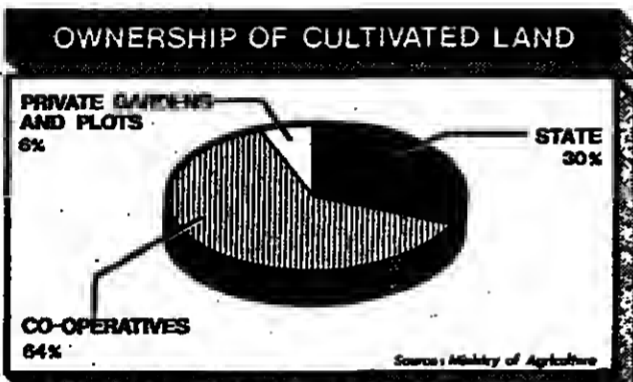
Special potato-picking equipment is needed to cope with the large number of stones. Fruit-picking and handling machines are also required.

Large equipment has been developed for the vast state and co-operative farms which is not suited for export to smaller western European farms. Because of freight costs, the more obvious market in the U.S. and Canada has only just been developed.

The Zetor tractor, long a strong export for Czechoslovakia, has stood up well in the West in spite of an overall drop in demand, according to Mr Labomir Tvardik, export manager for tractors at Motokov, the state trading corporation. Exports are running at about 25,000 tractors a year with Iraq the main market. Britain is in second place.

There has been increasing anxiety over the possible damage to the environment from agrochemicals. An unpublished report by the Czechoslovak Academy of Sciences commissioned last year by the Government warned of the dangers of excessive use of chemicals.

The Ministry today says that the level of artificial fertilisers and chemicals is limited and well below those of other eastern European countries.



Profile: Mr Miroslav Toman

## Aim is to put more on menu

Czechoslovaks need a more varied diet, not a larger one, says the country's well-known agriculture minister, Mr Miroslav Toman.

With three good harvests in 1983 to 1985 and meat consumption this year up to 85 kilograms per head (higher than Hungary's 75-78 kg per head), "for the first time in many years, we do not want to increase basic consumption further, but we would like to get more fish and vegetables on to the national menu," the minister says.

Recent success in basic farm production has brought a loosening in central government's control over farmers. The Prague planners have set only two targets (meat and grain) for farmers in the 1985-86 plan.

But if the Government is less demanding in terms of targets, it is also less supportive on prices, Mr Toman warns. Guaranteed wholesale

prices for main commodities are expected to fall over the next five years, as those for poultry and eggs have dropped (by 20 per cent) this year, and the price of "surplus" food will be determined by the market.

According to the minister, who himself has spent most of his 45 years in agriculture, including a year in the 1960s working on a Danish farm, the countrymen can probably withstand a slight decline in their income relative to townspeople.

The average farm co-operative worker now earns 3,620 crowns a month, above the national average of 2,913 crowns. The increased attraction these days of the countryside is reflected in the applications of between two and five candidates for every one place at the country's agricultural colleges.



David Buchan

Mr Miroslav Toman, Agriculture Minister

## Long-term expansion policy

Electronics  
MARK MEREDITH

THE EXPLOSIVE force of technological revolution is tightly controlled in eastern Europe. The advantages of computers are clear to the Soviet Union and its allies, but the priorities given and the approach they take to electronics are different to those of the West.

A country like Czechoslovakia will take a long-term view of electronics, writing its development into the five-year plan. It will see the introduction and application of electronics in terms of efficiency but not in jobs saved. These countries are committed to full employment.

Electronics in eastern Europe lags behind that of the West but the systematic approach has advantages. It helps avoid some of the catastrophic false starts and market failures of this volatile market in the West.

Eastern Europe is developing its own computer industry at

its own speed. Much is based on the developments in the industrialised West and Japan. But it is the planners more than the market which call the tune.

The computer industries are partly insulated against the West, but it is not only the gyrations of the Western market that worries the East. The West's ban on exports of certain types of high technology has also made the eastern bloc anxious to protect itself.

Until recently, for example, personal computers could not be exported to the East. A lively trade developed among Western companies smuggling bits of equipment to the East, but whole computer industries could not be based on this kind of traffic.

The latest revisions of Cocom, the Paris-based body of Western nations which agrees on what technology is exportable to the East, have made some things more liberal. But many types of software are banned. Software restrictions are easy to bypass but the chances are it will confirm the East's view that it must set its own pace and, as much as possible, use its own technology.

Czechoslovakia is developing computers largely in the micro to mini range. This is its

specialty, agreed with its partners in Comecon, the eastern European trading group. The Soviet Union, for example, is developing the largest generation of main-frame computers.

To develop these computers, the Ministry of Electrotechnical Development has as its top priority the generation of an effective spare parts supply. This ensures computer development and no last-minute rushes into the Western market for expensive equipment which could be produced at home.

Alongside its three types of SAGE computers, the Czechoslovaks are spending a lot of attention on dedicated equipment. Instead of adapting ready-made computers to various industrial applications, specific computerised systems are developed. This approach differs from the West, where the computer industry has paid less attention to dedicated equipment and more on adapting existing types of computers.

The ministry oversees seven concerns: the Zavit factory which manufactures IBM-compatible computers and automation equipment; the ZSE enterprise, for high voltage equipment; Chirana for medical tech-

nical equipment; and four branches of the big Tesla concern. One covers robots and telecommunications and instrumentation, another measuring and monitoring equipment, a third semi-conductors and a fourth consumer electronics including televisions.

The ministry is backed by three research institutions studying communications, mechanisation and automation, and high voltage controls.

The problems, according to Mr Ivan Malec, assistant to the minister in the electrotechnical ministry, have come in some of the peripheral equipment needed to development computers.

Some types of disk drives are hard to come by in the East, and Czechoslovakia has had some difficulty with a poor quality disc system from Bulgaria in its computers. This is a typical area, among peripherals where trade with the West may be sanctioned until the equipment is developed within Comecon.

Mr Malec said export restrictions from the West have limited the size of Winchester disk drives to 70 megabytes when producers have wanted a larger size.

## Beer

## Talks on overseas production

Beer is one of Czechoslovakia's best-known products. But how many drinkers know that pilsner means beer made in Pilsen or Pilsen in Western Bohemia.

While Czechoslovakia has a highly successful export in its Pilsner Urquell, it has fought unsuccessfully to stop producers in the West calling their beers pilsner. Another well-known beer export, Budweiser Budvar beer from the town of Ceske Budejovice has met a similar fate.

The Western beer trade has thought that Czechoslovakia's attempts to protect its beer exports meant it would be reluctant to grant foreign production licences. After all, the Czechs explained that only with the correct water, the right soft water and the manually controlled beer production could pilsner be made as it is in Pilsen.

Some of that is about to change. Negotiations have been underway between one of the state trading corporations and the Canadian brewers Labatts for what will become the first foreign licensed production of a Czech beer in the West.

Mr Václav Husak, general manager of the brewery federation in Czechoslovakia, was optimistic about the outcome of the talks.

The beer, as yet, has no name. According to Mr Husak, trading conventions will prevent the use of a Czechoslovak place name. But the country is rich with national heroes and other possible sources for the name of the brew that Canadians may soon taste.

If negotiators from Prague have their way, the Canadian brewers will import the raw materials for the beer. As the bottom line, the Czechoslovaks insist that they have the final say about the technology used for the brewing.

Other foreign licences could follow, according to Mr Husak. But export of nearly 40 types of beer will continue. Pilsner Urquell itself is exported to 45 countries.

Mark Meredith

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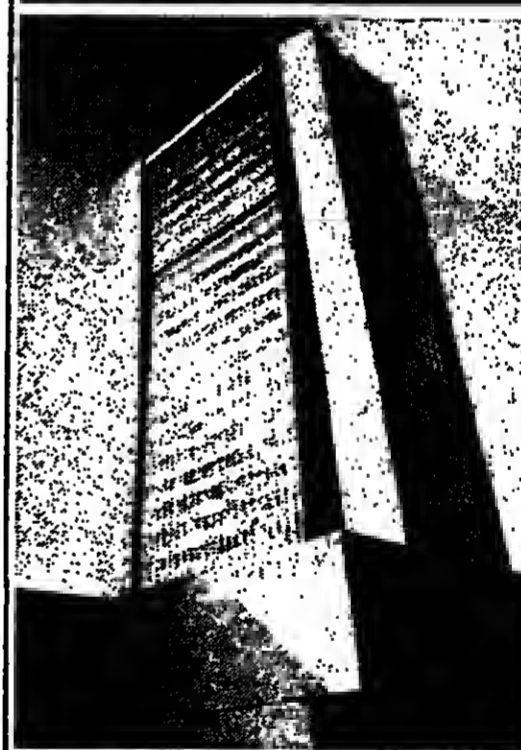


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## Czechoslovakia 4

# Coal production at record level as nuclear plants are delayed

**Energy**  
LESLIE COULT

THE FIRST priority of Czechoslovakia's planners in recent years has been to alter the country's energy balance away from coal and oil and toward gas and nuclear energy.

Nevertheless, the country last year produced a record 108m tonnes of lignite or brown coal, a record it would prefer not to have set. The Government had planned to begin reducing output of lignite, used to fuel the country's conventional power stations, because it is highly polluting and increasingly expensive to mine.

But delays in the construction of nuclear power stations forced production of an added 4.5m tonnes of lignite. This year the output target for this sulphurous low energy coal is 98m tonnes as additional nuclear power capacity comes on stream.

Nuclear power accounts for 15 per cent of total electricity generated (8.5 per cent last year) according to Mr Vlastimil Ehrenberger, the Minister of Fuel and Power.

Four Soviet-designed VVER 440 MW pressurised water nuclear reactors are currently in operation at the Jaslovské Bohunice station in Slovakia and the first reactor at the Dukovany station in Moravia became operational last month.

Czechoslovakia's ambitious nuclear energy programme has run up against several of the same problems which beset its Western counterparts. Delays of up to three years were partly the result of the introduction of added safety measures after completion of the first Czechoslovak nuclear power station in 1978.

Mr Oldrich Vales, deputy general manager of Skodaexport, which delivers Czechoslovak-built nuclear reactors and peripheral equipment to other East European countries, emphasised that none of the delays was a result of the nuclear co-operation with Moscow.

Apart from the Soviet Union, Czechoslovakia is Comecon's only producer of nuclear

reactors and secondary equipment. Mr Vales noted that a "principal change" was made in the nuclear power plants to greatly increase their safety and that this had meant "more work" than in the original version.

A former official of the Czechoslovak Ministry of Construction, Mr Jan Svoboda, recently criticised the entire approach to constructing nuclear power stations in Czechoslovakia. He said further problems are being encountered in the construction of the Temelin nuclear station in Southern Bohemia which is to have four Soviet-designed, but

Kcs 7m for a conventional power plant.)

This growth, he said, resulted from "ineffective" construction because of inadequate preparation and the bad organisation of work. However, Mr Jiri Becvar of the Ministry of Energy's nuclear department claimed that the construction delays of the past two years had now been overcome.

By 1990, when Dukovany will have four completed reactors and the first reactor at the Mochovce station in Slovakia is ready, Czechoslovakia is to produce one-third of its total electricity from nuclear energy, according to Mr Ehrenberger.

Per capita consumption of primary energy, which is considerably higher in Czechoslovakia than in comparable Western countries is largely to be reduced by structural changes in the economy.

Branches of industry with a high unit consumption of energy are receiving fewer investments than those with lower consumption. Along with Government directives to industry to reduce energy consumption, there was also a price rise last year of more than one-third in the cost of electricity for producers, along with hefty price increases of between 20 and 60 per cent for coal, coke, oil and gas.

Despite such adjustments, Mr Vales Veseley of the Ministry of Energy said there was little relationship between the price of energy and the cost of producing it. While industrial users can expect to pay more in the future, the Government is likely to continue subsidising the price of household heating coal, which was raised 50 per cent a few years ago along with electricity rates, but which is still very low.

Although new apartment buildings have improved insulation standards and installed radiators which can be shut off, little is being done to eliminate waste of heat in older buildings. Radiators there run full blast all winter and windows must be opened to regulate the temperature.

A representative of a Western company producing electronic controls for heat circulating pumps said the pumps used in Czechoslovak buildings—and in most of Eastern Europe—run 24 hours a day and cannot even be manually adjusted to save energy.

Electricity consumption last year rose 3.1 per cent compared with a goal of 1.9 per cent. Industrial users took 2.3 per cent more and households 6.8 per cent. Consumption in the first half of this year rose 3.9 per cent over, compared with the corresponding period last year, while the growth target was only 1.8 per cent.

Industrial users were responsible for a 1.9 per cent rise, while household use soared 9.1 per cent, largely because of the long hard winter.

**Energy costs for industrial users are expected to rise, but the Government is likely to continue to subsidise the price of household heating fuel.**

Skoda-built, VVER 1000 MW reactors, and is to be commissioned in the 1990s.

Mr Svoboda said it was a mistake that an independent state body had not been placed in charge of building the nuclear power plants. As a result, decision making was fragmented because there was no overall director of operations.

The Czechoslovak Prime Minister, Mr Lubomir Strougal, said in a speech opening Dukovany that the builders of the power station had pledged to eliminate the present delay in the construction of a second reactor and put it into operation by the end of next March.

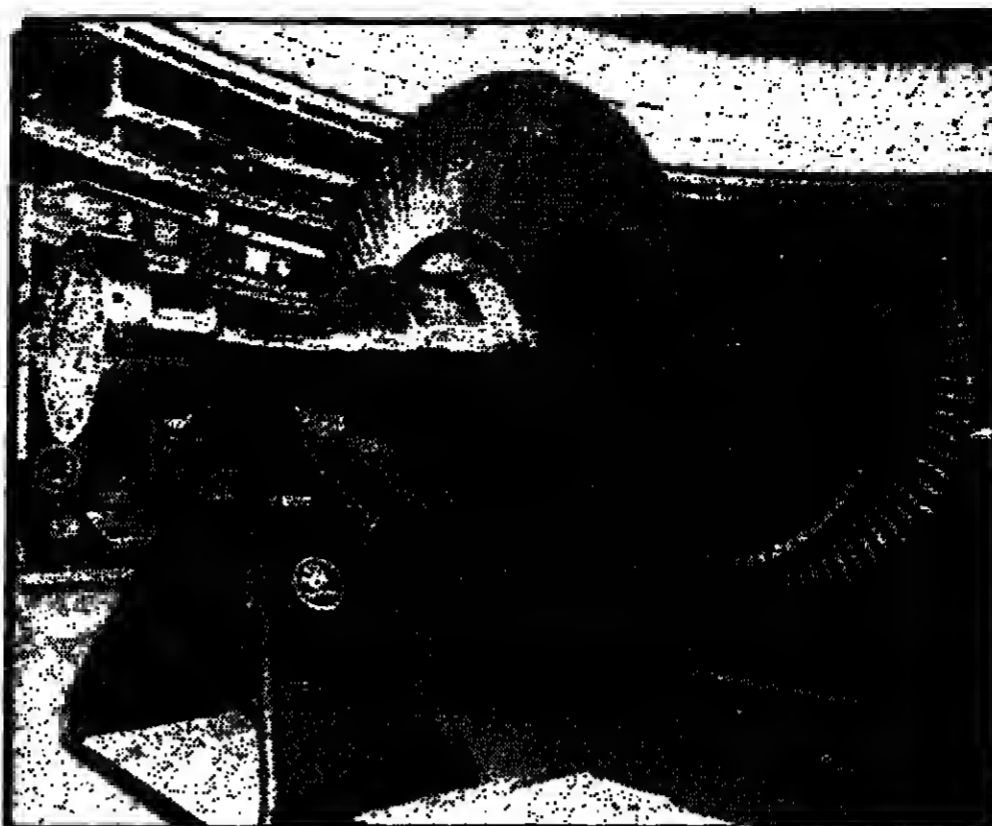
Mr Strougal also noted that as a result of "shortcomings in planning and management" and in securing supplies, construction dates for the nuclear plants were "frequently put back" with an accompanying growth in investment costs. (It costs Kcs 12.2m to construct each megawatt of a nuclear power station, compared with

By the year 2000, nuclear power is to account for between 65 per cent and 60 per cent of total power generation.

Consumption of oil is to be reduced from the current 16m or 17m tonnes annually, nearly all of it from the Soviet Union. This is primarily to be achieved by eliminating its use in heating plants and by electrifying the country's railway system.

The share of oil in primary energy consumption by the year 2000 is to drop from 23 per cent to 13 per cent, while natural gas is to rise from 10 per cent to around 20 per cent.

The increased amount of gas will flow through the three pipelines carrying Soviet gas which run through Czechoslovakia to the West and which earn the country transit fees in the form of gas. A fourth pipeline is now under construction. Meanwhile, domestic gas output is to be increased from 750m cubic metres last year to 1.3bn cubic metres.



Skoda low-pressure rotor of a 200MW turbine for nuclear power stations

## Set to lift export profits

**Heavy Engineering**  
LESLIE COULT

Another one-third is for the other Comecon countries and the remainder goes to the non-Socialist world. Of this, the developing countries, where Prague earns a high proportion of its foreign currency, take 60 per cent.

Last year, Skoda delivered a rolling mill to Iran and earlier this year another mill went into operation in Turkey. A Skoda-built rolling mill is also nearing completion in Nigeria.

Increasingly, Czechoslovak heavy engineering companies are co-operating with western companies on projects in the developing countries, especially the Middle East. Skodaexport has a co-operation agreement with Dary McKee for joint supplies of equipment and complete rolling mills to third markets and has a licensing agreement with Alstom — Atlantique to produce jointly complete power stations for third markets.

While 80 per cent of Skoda's thermal power stations are sold to non-Socialist countries, its nuclear power engineering equipment is produced solely for the Comecon market, Skoda

is the only East European company to build VVER 440 megawatt reactors under licence from the Soviet Union and is committed under a multi-lateral Comecon agreement to supply reactors and other nuclear equipment to Comecon partners for their nuclear energy programmes.

The heavy cost of building a new plant to produce reactors was entirely borne by Czechoslovakia which is paid the customary Comecon price for exported reactors. The price is based on a sliding five-year average of world market prices.

Mr Oldrich Vales, deputy general manager of Skodaexport's nuclear division, said the company was not being "overpaid" for the reactors it sold to Eastern Europe but that the margin of profit did enable it to invest in new production.

By 1987, he noted, Skoda would complete its first VVER 1,000 megawatt reactor under Soviet licence which would be delivered to Bulgaria. At present, Skoda is producing three reactors a year which now account for one quarter of Skodaexport's business.

## Increase in research

**Chemicals**  
LESLIE COULT

BASF and Bayer, followed by Ciba-Geigy and Sandoz of Switzerland, ICI, Shell and BP are the third most important group, followed by Rhone Poulenc, Atachem and CDF Chem.

Chemicals trade with the West is roughly balanced, and Mr Volf says the rule that enough must be exported to the West by the chemicals industry to cover imports will continue to apply.

Although the plan determines minimum exports of chemicals companies to the West, they can exceed this amount. The incentive to do so, says Mr Volf, is that the companies can retain a larger proportion of their large currency earnings and use it to buy equipment in the West.

By earning larger profits the companies can also provide greater incentives for their employees in the form of higher wages.

Last year the chemicals industry increased its output 3.4 per cent compared with a growth target of 1.4 per cent. This was, as envisaged, achieved by greater efficiency as crude oil consumption by the industry was 1.2 per cent lower than in 1983.

Output by the pharmaceuticals sector, which is to be especially developed, rose 8.7 per cent. In the first half of this year pharmaceuticals production soared by 11.9 per cent, but overall production of chemicals rose only 2.7 per cent compared with a planned 3.1 per cent.

The chemicals industry has not been slated as a priority area for investments in the coming five-year plan. Construction of new projects is to be kept to a minimum, while the production and export of less energy-intensive products is to be raised to 43 per cent by 1995 compared with 21.5 per cent at present.

Research and development are to be improved. A recent Government resolution said there is to be greater scientific and technical co-operation with the other Comecon countries, above all with the Soviet Union, and "maximum exploitation" of licence purchases from the West and co-operation with western companies.

Currently bulk chemicals make up 55 per cent of sales to the West with the remainder consisting of final and semi-final products. The goal is to increase the proportion of the latter, which make up 75 per cent of exports to Comecon.

Mr Vaclav Volf, deputy general director of Chemapol noted that since the oil "crisis" years of 1973 and 1974, Chemapol has concluded five year framework contracts with its western partners. These contracts set out the expected types of products to be traded and the approximate quantities, but not prices. Such Letters of Intent have been concluded with 20 leading European producers, covering about 75 per cent of the chemicals business conducted with the West.

Predictably the most important partners in the West are West Germany's big three chemicals producers—Hoechst,

## Hurdles to be overcome

**Importing**  
MARK MEREDITH

IMAGINE YOURSELF the technical director of a state textile concern in Czechoslovakia, convinced that you need a western computer. It is not going to be easy. The entire system will work against you. Only the steepest determination will overcome the hurdles ahead.

Between you and your western computer stands the Government's deep resolve not to spend hard western currency unless necessary. But more than that, the system is rigged to give every opportunity to Czechoslovakia's computer industry and to encourage the application of home-span electronics.

Step one: you must convince your boss that only this western computer will do the job and that you will need to spend, say \$50,000 on a mini-computer system.

Step two: the industry ministry which covers textiles will need to approve your proposal. Civil servants will examine how this purchase fits in with other investments in the five-year plan.

Your allocation will have to come out of precious resources of hard currency and there will be no taking dollars from the separate regular materials procurement budget.

Step three is the really tough bit. The Ministry for Electro-technical Development will want to know if there is a Czechoslovak computer that will do the job. It will also take a long view about the applications of electronics in the textile industry.

If no Czechoslovak machine is suitable, what about the Hungarian model produced as part of the division of specialisations within the Comecon countries? It will not require dollars to buy.

Step four: in the background to all this is a powerful government commission called the SKTR which looks at such investment in a still wider context. The state bank, the Electronics Ministry and even the Defence Ministry may also have recommendations—and they are not to be quibbled with.

Step five: the home stretch. Only the authorised importer for such equipment, the communications office, can make the purchase in the West. This department is under the powerful Ministry of Foreign Trade, where again East-West trade negotiations and hard currency expenditure are closely scrutinised.

You are nearly there. Perhaps you have friends in high places.

But as a final thought are you sure that the West allows the export of that type of computer? It may, after all, be one of the technological goods the West fears might be turned into weaponry and cannot be bought.



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## Czechoslovakia 5

## Joint ventures to lure the West

Industrial Co-operation  
DAVID BUCHAN

IN THE middle of this summer, Czechoslovakia took an important decision: to permit, for the first time since World War II, direct foreign investment in its industry in the form of joint ventures. This leaves the Soviet Union and East Germany as the only Comecon countries to forbid this form of industrial co-operation.

In typically cautious manner, the decision was announced piecemeal. First, the electronics ministry said publicly in June that it would welcome Western ventures (JVs) in the area of consumer electronics.

This reflected the fact that by that stage it was already entertaining rival offers from Sony of Japan and Philips of the Netherlands to invest in making video recorders and compact disc players.

Three months later, Mr Leopold Ler, then Finance Minister, disclosed in an interview that JVs would be welcome also in tractors, the food industry, tourism, energy-saving equipment, machine tools.

In other words, direct Western investment is now legally possible virtually across the board — up to 49 per cent of a JV's equity, the Finance Minister stipulated, and on the basis that foreign companies could repatriate their due profit and (on liquidation of the JV) their original investment stake.

The practical impact of this politically interesting move may be small. Consumer electronics apart, a Danish food processor and Polesin, the French maker of excavators, have shown interest in setting up JVs, says the Prague Ministry of Heavy Industry. But the recent frustration of countries like Hungary and Bulgaria in winning JV investment shows that relatively few Western companies seem to

want to make the lasting commitment in Eastern Europe that a JV implies.

Allowing JVs, however, is an admission that other forms of industrial co-operation — purchase of licences, and know-how, sub-contracting, technical assistance — are not providing an adequate transfer of technology.

Industrial co-operation of this kind should be for Czechoslovak enterprises and their Western partners "a marriage to last for many years," says Mr Vladimír Forman, director general at the Heavy Industry Ministry. He complains: "We often find companies in the West underestimate our skills," and do not consider Czechoslovakia a permanent partner in projects in third countries. There should be reciprocity — first, a Czechoslovak enterprise should contract out work to a Western company, then vice versa. "A Western company that does not understand reciprocity will find itself participating just once with us," he warns, adding that "we are not sugar dolls, we can be assertive, if need be."

Yet many sectors of industry report fruitful co-operation with Western firms. Czechoslovakia has, for instance, built four large oil refineries in Iraq incorporating control equipment from George Kent of the UK, supplied urea plants to the Soviet Union with technology from Stamicarbon of the Netherlands, and has just signed two deals with Saamprogetti of Italy and Voest-Alpine of Austria for the purchase of licences for the production of hydro-crackers in Czechoslovakia.

Skoda, the country's leading engineering company, is deeply involved in East-West co-operation: deals, affecting both production at home with, for instance, agreement with Alsthom-Atlantique of France for making high-output turbines, and with Dreyer McKee of the UK and Deutsche Babcock, on projects in third countries.

With more companies chasing fewer capital investment orders

these days, Czechoslovakia is thus trying to sustain its technology exports, which amount to 60 per cent of total engineering and heavy equipment sales abroad.

Licence sales come only a third best, behind joint ventures and long-term industrial co-operation, as a form of useful technology transfer, admits Mr Slevomír Sykora, commercial director of Polytechna, which is the sole Czechoslovak buyer and seller of licences.

Even so, Polytechna has done 450 licence deals in the last five years, buying rather more (55 per cent) than it has sold. This is high by Comecon standards, but low by world standards. Only 5-6 per cent of Czechoslovak production is made under licence, compared with an average of 10 per cent among western countries.

Generally, Czechoslovakia pays four times more for an imported licence than it gets for an exported one, Mr Sykora says. This ratio roughly squares with figures in a recent OECD study showing that between 1972 and 1981 the average annual number of Czechoslovak licences in use abroad was 247 and average receipts were \$13m, and the average annual number of imported licences in use at home was 409 and average yearly payments were \$53m.

The biggest single generator of licence earnings is the Czechoslovak Academy of Sciences, which itself sits at the apex of a country-wide network of some 180,000 scientific researchers in various institutes, now back to strength after the post-1968 political purges.

The Academy's prominence in the earnings league is due to the fact that it sold the country's best-selling licence — for soft contact lens — to the U.S. for development there by the annual East-West Corporation, and it may be that President Reagan, who wears soft lenses, peers out of the world through a Czech invention. Less eye-catching, but more numerous, areas of Czechoslovak licence sales, are engineering, pharmaceuticals and textile machinery.

In the last five years, East

Germany has bought the highest number (43) of Czechoslovak licences, followed by West Germany (38), Switzerland (18), the U.S. (12), Sweden (12), Netherlands (11), Hungary (11), and the Soviet Union (10).

East Germany comes only fifth, behind the U.S., Switzerland, Japan and West Germany. Part of the reason for this is that, in spite of the 1973 Comecon decision to terminate free provision of industrial expertise among member countries (so as to provide financial incentive to innovation), many licences in the East are still traded free or at nominal fees.

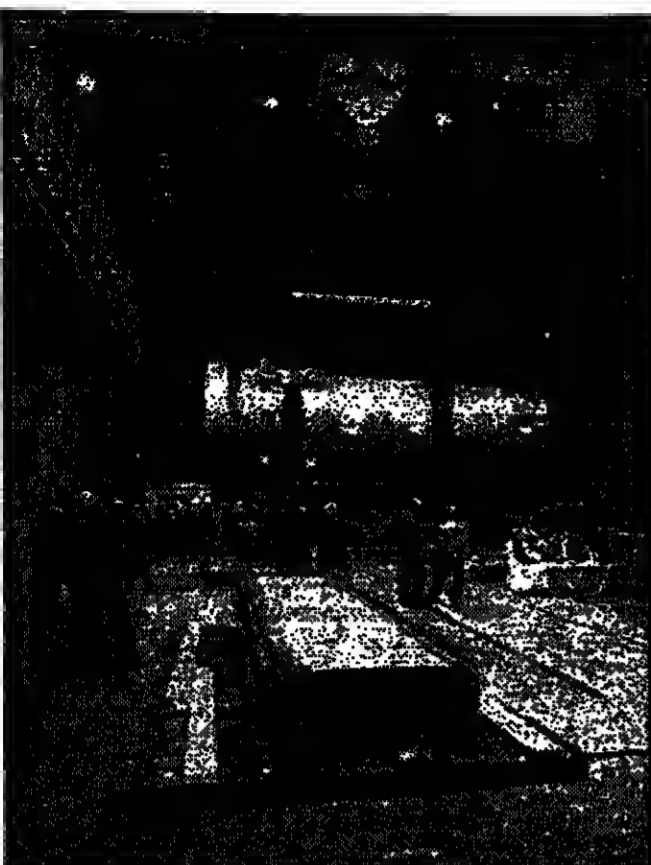
Another frustration of the licence-sellers in Prague is that some Czechoslovak enterprises still regard technical documentation (even where it is of a standard to be of real value to western buyers) as an afterthought to be thrown in with a licence virtually for free.

Some barriers exist in the sale of licences. Polytechna, according to Mr Jiri Gabriel, its deputy commercial director, must check with producers and the relevant foreign trade organisation that a licence is not going to help foreigners compete with Czechoslovak manufacturers, because export of goods is given priority over that of knowledge.

The bureaucratic hurdles, however, are higher in the case of licence imports, mainly in chemicals and machinery, with West Germany topping the list of suppliers (50 licences sold to Czechoslovakia in 1981-85).

Extensive screening of a potential licence purchase is done by branch ministries and the State Committee for Scientific Development and Investments, and then generally follows a wrangle over the required hard currency.

But perhaps the biggest problem, says Mr Gabriel, is simply the very broad production range and inadequate specialisation in Czechoslovak industry. It is this that reduces the number of exportable licences, while at the same time increasing the need for modernisation through industrial co-operation and, now, joint ventures.



The country's heavy industrial base covers 70 per cent of the major production lines traded in the world.

## Top of the league in machine tools

Light Engineering  
LESLIE COLLY

THE CZECHOSLOVAK machine tool industry produces 75 per cent of the major product lines traded on world markets, a proportion which producers agree is far too large. They are reluctant, however, to drop any of their products as this would entail change and risks.

The Ministry of General Engineering which controls machine tool production is constantly reminded by its Government that merely being able to sell in foreign markets is not an argument for maintaining a line of production when prices for the item continue to fall.

The ministry is responsible not only for machine tools but also for textile machinery, agricultural equipment, trucks, cars, planes, ships, building machinery and home appliances. The output for the items it covers makes up more than half of Czechoslovakia's industrial production.

Mr René Pospíšil, deputy general director of Strojimport, which exports and imports machine tools and textile machinery, said several of the new technologies originally developed in Czechoslovakia were produced more quickly in Japan, West Germany and Switzerland. This was crucial for Strojimport whose hard currency earnings last year were \$500m compared with \$800m annually in the early 1980s. Sales to the West made up 40 per cent of its total exports.

Mr Pospíšil said that sometimes there is demand for a product in the West, but the Czechoslovak factory producing it is fully booked, although it may be having trouble selling what it produces. The machine in demand, however, cannot be produced by another factory in the industrial trust and the order is lost.

Strojimport, he said, wanted to propose to the trusts that one of their factories — out of several dozen — should be made available for such quick shifts in demand. But the problem, he noted, was that no factory director wanted to take the risk of there being no demand for a time. Perhaps, he suggested, his foreign trade organisation could share in the risk.

In addition to such problems besetting the light engineering sector, there is the sobering fact that the average age of machine tools and forming machines in Czechoslovakia is now 18 years out of a maximum life span of 23 years.

## Importance put on modernisation

Textiles  
DAVID BUCHAN

TEXTILES is a long-standing Czechoslovak industry (going back to the 18th century) which now accounts for more than 10 per cent of the country's foreign trade turnover. But because the country has few domestic raw materials of its own, apart from flax for linen-making, the emphasis for the 1986-90 plan is on modernisation, rather than expansion of capacity.

The textile industry now employs nearly 300,000 people in virtually every part of the country except eastern Slovakia. The cotton sector is based in Hradec Králové, linen in

Trutnov in northern Bohemia, wool in the Moravian capital of Brno, and artificial fibres in the Slovak capital of Bratislava.

For much of its history, the Czechoslovak textile industry has relied on its own machinery, such as the water and air jet looms and open-end spinning of the post-war period that have been widely manufactured abroad. But more recently, with Czechoslovak textile machinery losing some of its technical lead to foreign competitors, imports have increased.

Yet, industry still sells an average of 25-30 per cent of its production abroad. According to Mr Vladimír Sobotka, sales manager of Centrotex, the country's textile trade organisation, exports last year were around \$40m, divided roughly between Comecon and the rest of the world, and imports

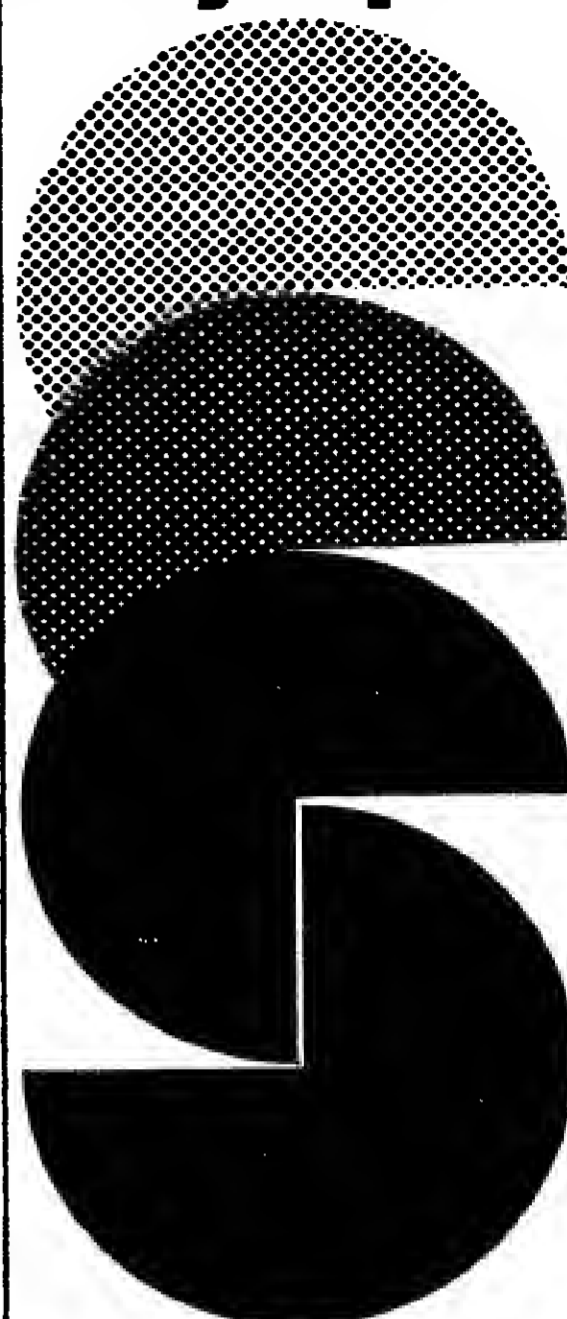
Some 60-65 per cent of exports to Comecon go to the Soviet Union alone, while in the West, the highest market is Germany, followed by a range of countries including UK, Austria, France, the Netherlands, Canada and the U.S. In the last country, duties are high, for lack of most favoured nation tariff treatment.

The Multi-Fibre Arrangement (MFA) which governs world trade in textiles has for Czechoslovakia, says Mr Sobotka, the advantage that it treats all equally. But the flexibility which Czechoslovakia has in theory under the MFA in selling to the EEC is restricted somewhat by the fact that each EEC member country maintains separate national quotas (as distinct from community-wide quotas) against "state-trading" countries like Czechoslovakia. Imports are a simpler affair,

with cotton coming mainly from the Soviet Union and wool from Australia. But the Prague government's desire to keep a tight rein on imports means that new investment in the coming five year plan will be focused on modernisation of existing capacity so as to improve competitiveness.

One of the ways by which the government hopes to achieve greater competitiveness is through closer links between foreign trade organisations, like Centrotex, and producers. Mr Sobotka says Centrotex now carries only limited stocks on its own account, mainly speciality items, and functions more as a straight agent of producers. His sales company also encourages more people from the producing enterprises to travel to international textile fairs, so that they can see better what the market demands.

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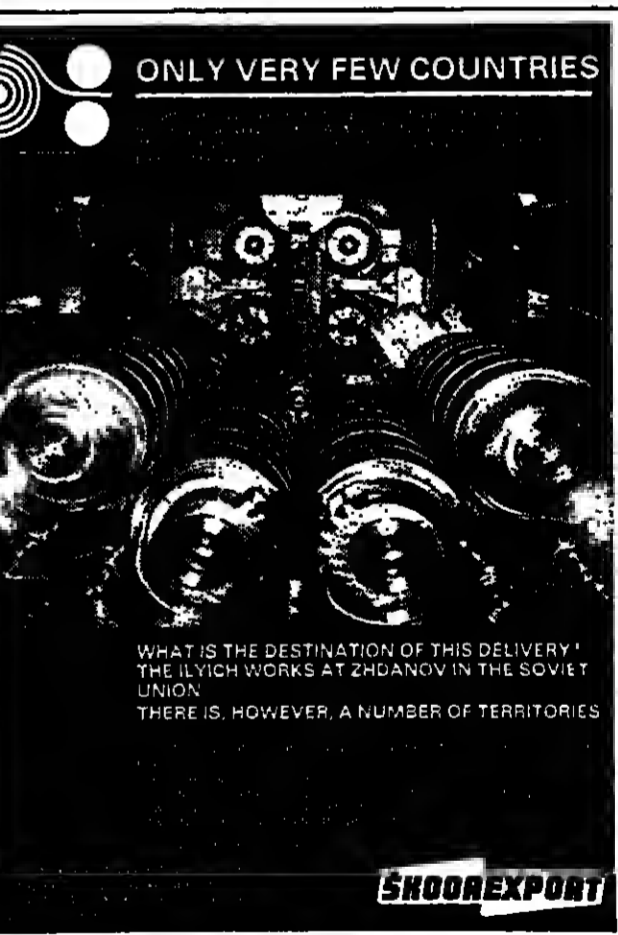
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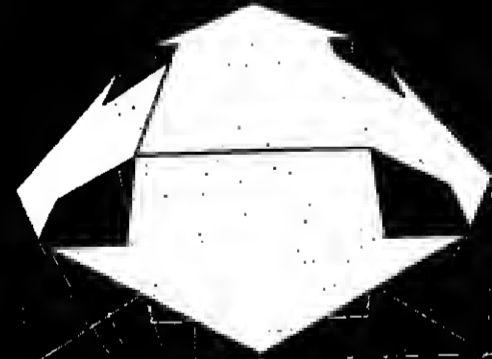
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## Polytechna



POLYTECHNA, Foreign Trade Corporation, is a Technical Co-operation Agency with sole responsibility for negotiating licensing contracts in Czechoslovakia, inwards and outwards. It is one of a few organisations in the world dealing with all kinds of technology transfer, ranging from the sale/acquisition of patent rights to the providing of technical assistance to developing countries.

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Furniture  
DAVID BUCHAN

POLLUTION MAY have seriously damaged the forests of northern Bohemia. But it does not yet seem to have blighted the optimism of Czechoslovakia's large wood-working industry, which employs 50,000 people in the furniture sector alone, and has increased production and exports sevenfold over the past 15 years. According to Mr Jiri Jirava, general manager of Drevoexport, the country's wood products trade organisation, exports last year amounted to the equivalent of \$90m, two-thirds to Comecon partners and one-third to the rest of the world.

Wood is one of Czechoslovakia's few major natural resources. But it was 1969-70, says Mr Jirava, before the country realised, with the surge then in world commodity prices, that it should capitalise on its forests by investing in pulp production and encouraging smaller co-operatives to develop traditional furniture-making skills. Set up in 1969, and based in forest-rich Slovakia, Drevoexport has, in particular, helped these smaller producers get their products onto the world market.

The current strategy is to reduce exports of unprocessed timber (now down to 10 per cent of total wood product sales abroad), to use pollution-damaged Bohemian trees (mainly pine) for house

construction and in wood composites, and to upgrade the quality and value of exports. Drevoexport's most profitable line of exports to the West, for instance, is bentwood chairs, which due to their lightness in weight and design have become very popular in Western homes and restaurants.

"We have supplied many London West End restaurants, even Buckingham Palace," claims Drevoexport's former UK representative, "and we can't meet the demand." The problem is the number of man-hours going into these chairs, which require two-metre lengths of "clean" beechwood that is steamed and bent into shape by hand. "Machines split the beech, you need the human touch with a feeding for the wood," says Mr Jirava.

Another Czechoslovak wood product Drevoexport is pushing is weekend houses. It can supply these wooden dachas for between \$2,000 and \$50,000, depending on the customers' requirements and the level of competition from Scandinavia is hoping to increase exports. In furniture, however, it has joined forces with Scandinavia, specifically in co-operation with Ikea, the Swedish trading house, which is opening its first outlet in the UK this year.

Virtually everywhere the main competition Drevoexport faces is local, particularly in Scandinavia and West Germany (which is also its biggest Western market). But only three Western countries impose special restrictions on Czechoslovak wood products—

Denmark and Spain where there are quotas, and the U.S. which, in the absence of a "most favoured nation" tariff accord, imposes a 42 per cent duty on Czechoslovak furniture. As for the East, the Soviet Union, the largest single buyer of Czechoslovak furniture, will take virtually as much as Drevoexport and the industry care to supply.

Responsibility for the wood-processing industry is divided (as it is for chemicals, textiles and general light industry) between the Czech and Slovak republics. But Mr Stefan Čechov of the Slovak industry ministry in Bratislava is understandably more confident than is Mr Jiri Mareš, vice industry minister in the Czech republic, about the wood sector's prospects, because Slovakia's mainly broad-leaved forests are much less affected by pollution.

According to the latest estimates cited by Mr Mareš, 26 per cent of the Czech forests are now "of deteriorated quality," and 40 per cent will be by 1990. But he hopes that Czechoslovakia's commitment (along with other central European countries) to reduce its air pollutants by 30 per cent will be met in several ways. These include reducing the sulphur dioxide in acid rain by switching away from coal as a fuel, and installing "sulphur scrubbers" in remaining coal-powered stations. He points out the irony that the wood industry is the one sector most affected by pollution, but doing the least to create it, because the wood industry now relies almost totally for energy on burning its own waste.



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## Czechoslovakia 6

## Faced with an acute need for more hotels



## Czechoslovakia—Basic Statistics

Area: 127,896 sq km  
Population: 15.5m  
Workforce: 7.5m  
Federal capital: Prague  
Official languages: Czech and Slovak  
Head of state and communist party: President Gustav Husak  
Head of government: Prime Minister Lubomir Strougal  
Exchange rate: Commercial rate 92.65 crowns per £1 (Oct 1985)  
Tourist rate 15.66 crowns per £1 (Oct 1985)  
Net material product (NMP): 464.9bn crowns (1983)  
NMP per capita: 30,160 crowns (1983)

## Tourism

LESLIE COLITT

VISITORS TO Prague may sometimes be reminded of what one resident in the city told me years ago: "Don't forget, Prague is to the west of Vienna."

The Czechoslovak capital is very much in the heart of Europe. Prague was Central Europe's largest city when the region's first university was founded in 1409.

A walk at dusk across the gothic Charles Bridge, with the towers of the Old Town silhouetted at one end and the mighty Prague castle dominating the Lesser Town, is one of the best ways to begin and end a visit to Prague.

Another memorable view of the city is from the statue of Bedrich Smetana at the end of Novotného Lávky, a cul-de-sac which looks out over the small rapids on the river toward Charles Bridge and the castle.

A small wine restaurant, The Three Graces, is conveniently located in the same street.

As custodians of architectural treasures from five periods, the authorities have taken steps to ensure their survival for future generations. Cars and trucks

have been barred from most of the Old Town and from Wenceslas Square — with the exception of deliveries in the early morning hours and private cars belonging to visitors residing in the area's hotels.

The main cross street — it was once a moat, separating the elongated square from the Old Town — is being converted into an attractive pedestrian mall. The air, as a result, is already noticeably improved in the centre of Prague, which lies in a valley with severe pollution problems.

Mr Jan Kolarik, deputy general director of Cedok, the national travel agency, said Prague is "sold out" nine months of the year and thus has an acute need for new hotels. The city has 9,000 hotel beds and needs at least 12,000, but could well use 15,000, he noted.

A luxury hotel belonging to the Forum chain is to be built for 600m and will open in early 1988, but the city also needs more hotels in the upper medium category. One such hotel, the Panorama was built in this category in 1983. In spite of its wind-swept location in the Pankrac district, it offers all amenities and is ten minutes by underground from Museum Station in the centre of Prague.

The newly constructed underground with its Soviet-built cars is the best and cheapest way of getting around Prague.

Although Prague has a hotel shortage it has an abundance of intimate wine restaurants (Vinárny) and of course taverns (Pivnice) which serve the deep golden Pilsner beer which, even Bavarian brewers admit, is unequalled. The most famous tavern is U Fleku, founded in 1499, which serves its special dark beer at long tables and in the courtyard in summer.

The old Prague ghetto has become a magnet for visitors from East and West with the oldest surviving synagogue in Europe, albeit with only a few Jews.

At Prague Castle one can admire the windows of the Bohemian Office out of which were pushed the royal government in May, 1618, the famous Prague defenestration, which began the Czech rebellion against the Habsburgs and ushered in the 30 years war.

Castle Square outside is virtually an extension of the castle with many notable buildings including the baroque Sternberk Palace, now an art gallery, the Archbishop's palace and the renaissance Schwarzenberg Palace. The view over the Lesser Town from Castle Square is magnificent.

Cedok organises tours of Czechoslovakia's architectural treasure house as well as music tours which include meetings with teachers at the conservatory. The film Amadeus, about

Mozart, was filmed largely in Prague. It has had a considerable impact on tourism to the city. The number of visitors to Prague has been growing by an average of 7 per cent annually. For those so inclined, Cedok also offers tours to the beer breweries and to glassmaking establishments.

Outside Prague the best known attraction in Western Czechoslovakia are the spa resorts of Karlovy Vary (Carlsbad) and Mariánské Lázně (Marienbad). Germans and Austrians are mainly attracted to the 12 warm springs of Karlovy Vary which are said to be especially beneficial for relaxing liver, gall bladder and gastric disorders.

For those in good health both spas have 18-hole golf courses and every couple of weeks a Swedish group arrives from Malmö for a reasonably priced week of golf. The finest hotel in Mariánské Lázně is the 100-room Golf Hotel situated only 100 metres from the greens and with its own pool, sauna and tennis courts.

Czechoslovakia has much to offer western visitors — from the High Tatras, the Czechoslovak Alps, to the caves of Slovakia and the picturesque towns and vineyards of southern Moravia. Everywhere the innate friendliness of the people is no less an asset for tourism.

## Self-reliance policy has been modified

## Cars and Trucks

LESLIE COLITT

THE SKODA company produced its first car in 1905, which helps to explain why Czechoslovakia, unlike most other East European countries, has not linked up with a western motor company to produce a car under licence.

The Czechoslovaks were convinced they did not need western technology to produce a car meeting the needs of home and Comecon markets as well as being saleable in the West.

This self-reliance has been somewhat modified for the forthcoming new Skoda model, which is to appear in 1987. A front-wheel drive car, it has been designed by Bertone of Italy, and many of its parts are to be manufactured under licence from leading West German and UK component makers. Similarly, \$75m worth of western production equipment has been bought to enable higher quality standards to be achieved and to accelerate output.

A previous attempt to co-operate in car manufacturing within Comecon ended in failure, when Czechoslovakia and East Germany signed an agreement to develop a joint engine for their Skoda and Wartburg cars but could never agree on key details.

The new Skoda will not have come too soon, as current models are virtually unchanged since the mid-1970s. Sales to western markets have, however, risen in recent years as Skodas are regarded as good basic transport at a very low price. Skoda sells 110,000 cars annually on the domestic market and exports the remaining 80,000 of output, mainly to the West. This makes it Eastern Europe's largest exporter of cars to the West in percentage of total production. Demand for Skodas at home has dropped in anticipation of the forthcoming model change, and Czechoslovakia is now the only East European country to offer its citizens cheap loans to buy cars.

Mr Jan Machaj, general manager of Motokov, the foreign trade organisation for road vehicles, says production of the new model Skoda could be

boosted beyond 200,000 units annually if its reception abroad warrants the extra investments. Skoda is even considering the possibility of exporting the new cars to the U.S. after experiencing encouraging sales in Canada with its current range.

The other Czechoslovak made car, the Tatra, is a far more exclusive affair with only 300 of them being built each year. The Italian designed car which has an air cooled rear engine devours 18 litres of petrol per 100 km and is exclusively for the use of Government officials and Czechoslovak diplomats.

One Czechoslovak official noted that the car is a luxury which only the Tatra company can afford to produce. A smart looking face-lifted model was shown at the recent Brno Fair.

Tatra's reputation is based on its air-cooled heavy trucks which see service in the worst climate the Soviet Union has to offer and which are also exported to many countries.

Tatra also supplies Comecon's armed forces with heavy trucks and missile transporters. Under a co-operation agreement with Renault, worth 275,000m, the Avia factory which makes light trucks is to be enlarged and modernised.

Mr Josef Blecha of Motokov says negotiations have begun with major western truck makers on a possible licensing agreement to provide common truck cab units for the country's three truck makers—Avia, Tatra and Liaz. These produce 70,000 trucks annually.

Exports of Czechoslovak tractors to the West are doing even better than cars, according to Mr Machaj. Negotiations are under way with U.S. and Japanese engine makers for a small diesel tractor engine, and with a British company for a turbo-charger to be used in a new model of the Zetor tractor.

Exports of Skoda cars to the West in 1984

Country	1984
UK	12,000
Denmark	7,000
Netherlands	4,000
France	3,500
Finland	2,500
Canada	2,300

overall economy), so it is insisting that would-be Czechoslovak borrowers of hard currency put loans to specific use (to modernise, save on imports or boost exports) and guarantee repayment by demonstrating to the bank a reasonable rate of return on their investment.

Finance follows trade. The collapse of détente, in particular new Western technology export controls, Western sanctions on Poland, and the attempted U.S. ban on energy equipment for the Soviet Union, left the Prague government feeling exposed commercially and vulnerable politically.

Proud of being a founder member of the GATT, Czechoslovakia complained about illegal trade discrimination by the West, but it was also quick to rally to Soviet calls for closer Comecon integration. By the time of last year's Comecon summit (which called for further integration) Czechoslovakia was doing 73.5 per cent of its total trade with its eastern partners, compared with 65.5 per cent in 1980.

The slice of total trade done with the developed West dropped from 20 per cent to 15.7 per cent over the same five years. The trend continued in the first half of this year, with Socialist countries (Comecon), plus China and Yugoslavia, taking 77.7 per cent of exports and supplying 83 per cent of imports.

How far will the trade shift to the East go? Mr Bohumil Urban, the trade minister says

he can give no precise forecast.

"If the socialist community provides us with abundant modern technology, or if capitalist countries restrict us to a greater extent the share of trade with Comecon will grow further. But we do not aim at preferring socialist trade. If there are not extra restrictions or protectionism by the West, he expects equal growth in exports to East and West in 1986-89, and imports to be a function of export earnings.

Only the broadest outline of the 1986-89 plans goals is so far known: average 3.5 per cent growth in national income a year, 4.5 per cent annual increase in overall trade, and somewhat higher investment not so much in expansion of plant capacity, but in refurbishing factories and modernising equipment—which happens also to be the Gorbachev direction for the Soviet economy. Yet, realisation of the ambitions may require progress on three fronts.

Specialisation. Czechoslovakia is in danger of becoming an industrial jack of all trades but master of none. The breadth of its industrial base lies in its history, first serving as general workshop to a largely agrarian Hapsburg empire, then performing the same function for the Soviet bloc, after the second world war had severed co-operation with, and competition from, with Western firms.

Today Czechoslovakia covers 80 per cent of the some 400 "engineering fields" that exist in the world, according to the Prague general engineering ministry. In specific products, this amounts to only 7-8 per cent of the total world range, but varying between 17 per cent of the world range in textile machines, 20 per cent of machine tools, 30 per cent of shoe-making machines, to 100 per cent of trucks and leather-processing equipment.

In some ways, this industrial "omni-culture" of a country with only 15m inhabitants suits its trading partners. The Soviet Union has a wide choice of Czechoslovak products to exchange for its oil and iron ore, while Western engineering and machine tool companies, as distinct from sellers of consumer products, find Czechoslovakia

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## Less rigid approach is taken

CONTINUED FROM PAGE ONE

## Czechoslovakia's national income

(crowns bn)	1983	1984	% change
Net national income	464.9	478.0	2.8
Industry	267.5	273.5	1.5
Agriculture/forestry	37.0	37.0	0
Construction	51.4	52.2	1.5
Transport/communications	22.3	22.1	-2.0
Trade and other	86.7	92.2	6.0

\* Statistical Yearbook 1984.

† Estimate by PlanEcon Incorporated, Washington DC, 1985.

## Czechoslovakia's net hard currency debt

(\$bn)	End-1982	End-1983	End-1984
	2.8	2.5	2.0

Net = gross debt minus Czechoslovak assets in Western banks reporting to the Bank for International Settlements (BIS) only. The net debt is lower or non-existent, if Czech assets in developing countries are included.

Source: UN Economic Commission for Europe, 1984.

always has some technology in the line that needs updating. This is why they do such steady, if not spectacular, business at Brno trade fairs. But spreading industrial resources so wide and thin makes modernisation and innovation a big problem for the Czechoslovaks themselves, despite the fact that 180,000 of them work in various kinds of research institutes.

Huge orders from the East give security, but militate against innovation. Where else but the Soviet Union could CKD of Prague sell 5,200 diesel locomotives? Where else but Comecon could truck-makers like Tatra and Liaz sell more than 80,000 vehicles they produce each year? What non-Communist nuclear reactor maker can match the work-book of Skoda, which is currently building 12 reactors inside Comecon?

The Eastern market is becoming rapidly more demanding; indeed, as one senior Prague official says, the main impact of Mr Gorbachev on Czechoslovakia is that "now we will be producing, not for two different markets but one single, equally demanding, market worldwide."

Clearly, securing greater specialisation and modernisation through joint ventures with Western firms is not likely to be the answer for an economy that does only 15 per cent of its trade with the West.

The key lies inside Comecon. It is not surprising that Mr Lubomir Strougal, the Czechoslovak Prime Minister, has been the leading exponent of more

"direct links" between companies of the various Comecon countries.

Energy. Czechoslovakia's single worst economic and social headache is its dependence on energy-wasteful heavy industry and its dependence, in energy, on polluting brown coal, mostly from its sulphur content, and a major contaminant of Czech cities and forests (Slovakia, to the East, has largely escaped this).

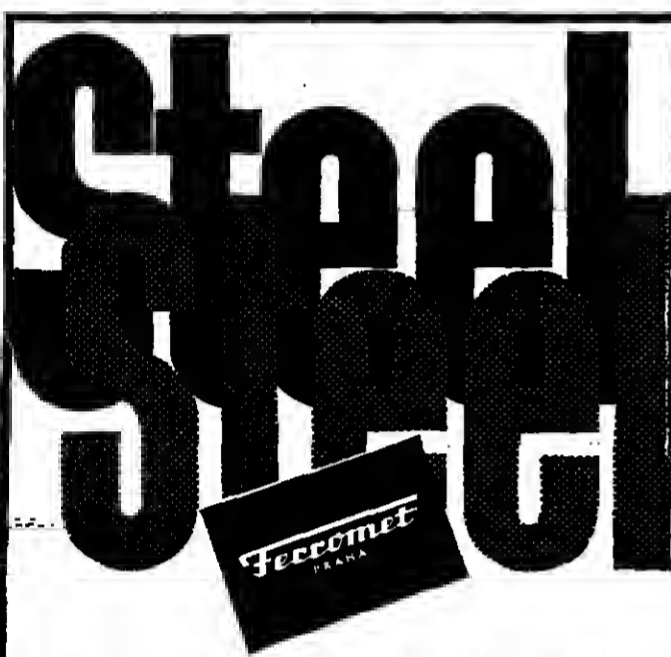
The Government is now all too aware of the problem, and plans to reduce coal output from 125.5m tonnes this year to 105m tonnes by the end of the century (with brown coal going down from 88m to 80m tonnes). But, with decreasing Soviet oil supplies, and delays in Czechoslovakia's nuclear reactor construction programme, coal is perversely needed as much as ever. Last year a record 125m tonnes was mined, and much of the 3.7 per cent rise in industrial output this year was due to increased power generation by coal.

Economic reform. The Government's "set of measures" is described as (perhaps led by Mr Strougal) open-ended, in the sense that it has been added to since its 1981 inception and can be further amended. What it seems to lack, so far, is an overall philosophy, linking prices, wages, incentives for extra work or initiatives.

Companies are supposed to be more self-financing and reliant, yet still lack a rational price structure to respond to. Energy prices have increased 50 per cent for households since 1980, but not for industry. Mandatory plan targets still proliferate, except in agriculture where they have been reduced to two (grain and meat).

More of the wage bill has been nominally set aside for performance-related bonuses, but relatively few bonuses are actually earned or paid out, because workers have as many basic consumer goods as they want or as the state allows them. The fiscal system has not been reformed to tax higher earners progressively more steeply; the exceptional "super-rich," an Ivan Lendl, simply negotiates tax payments ad hoc.

If there is an internal tug-of-war between reformers (perhaps led by Mr Strougal) who want to push on with change, and conservatives (perhaps led by Mr Husak) who would rather wait on further events in Moscow, there is little outward sign of it. The March party congress may tell us more.



## FOREIGN TRADE CORPORATION FOR EXPORT AND IMPORT OF METALLURGICAL PRODUCTS

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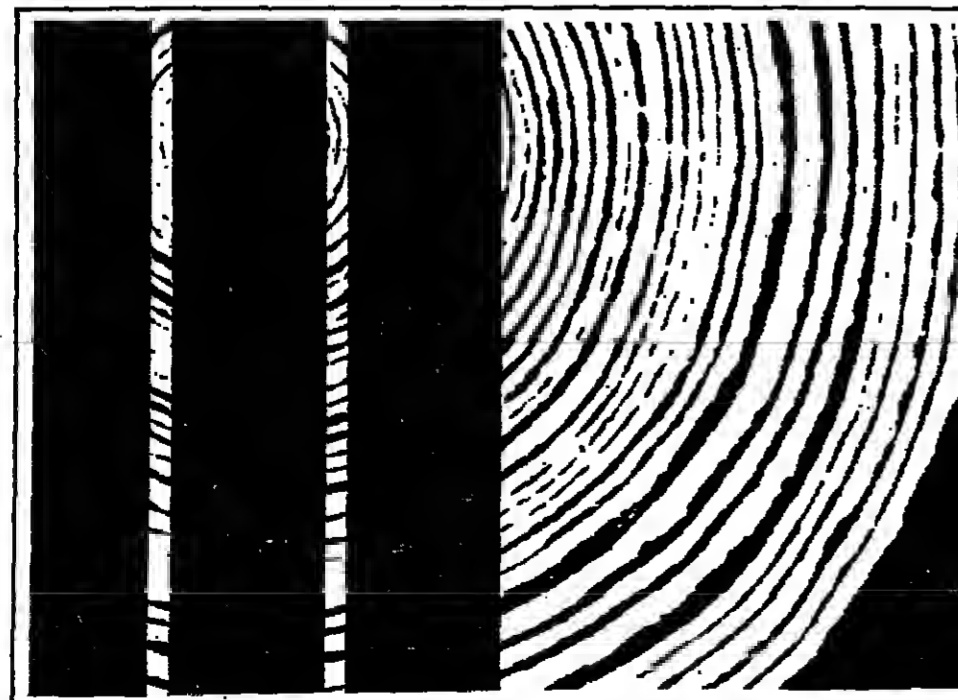
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## INTERNATIONAL COMPANIES and FINANCE

## NORWAY'S OIL BANK

As Norwegian energy reserves are so substantial, petroleum business is of great importance to the country's economy. Union Bank of Norway has all the experience and expertise of project finance for the North Sea, as well as managing and underwriting syndicated loans and new issues. Contact in Norway Carl Erik Haavaldsen or Tom Frønth-Mathisen.

## NORWAY'S CAPITAL MARKETS BANK

UBN are active as managers and underwriters in Eurobonds in Kroner and other currencies, Government Bonds and Viking Bonds—the last of which we originated. Overall our role in the Euromarkets is a vital part of the growing internationalisation of the Norwegian Banking industry. Contact in Norway Per Hagen or Morten Engebretsen.

## NORWAY'S FOREIGN EXCHANGE BANK

We offer a complete range of asset and liability management services. This includes currency options, financial futures and interest rate and currency swaps. We are also the main supplier of foreign currency to the savings banks, a role that has increased both in size and importance as the banks themselves have grown. Contact in Norway Geir Bergvoll or Bjørn Kaaber.

## NORWAY'S INVESTORS' BANK

The Norwegian Stock Market has outperformed most stockmarkets over the last few years. UBN has one of the biggest stock exchange departments in Norway and is well equipped to take care of your equity transactions. We also have a leading position in domestic bond issues and secondary market trading in bonds. Contact in Norway Knut Ørbeck or Stein Jodal.

## NORWAY'S NEW BANK

Union Bank of Norway was created on 14th October by a merger between Sparebanken Oslo Akershus and Union Bank of Norway Ltd. (Fellesbanken A/S). We are one of the "big four" in Norway with total assets of U.S. \$4.0 billion. The new bank will also be the central bank to the more than 200 savings banks in Norway with a unique network of more than 1,300 outlets all over the country.

London: Senior Representative Malcolm Stuart Allen. Tel: 01-248 0462. ■ New York: Representative Arthur L. Reisch. Tel: (212) 986-0614. ■ Luxembourg: (Subsidiary) Managing Director Øyvind Panemann. Tel: 4768731. ■ Copenhagen: Representative Ole Mølgaard. Tel: 451-11 27 33. ■ Helsinki: Representative Fred Sundwall. Tel: 3580-1725239. ■ Stockholm: Representative Hans Wenehult. Tel: 468-7901379.

Head Office: Kirkegaten 14-18, Oslo, P.O. Box 1172 Sentrum, 0107 Oslo 1. Tel: (472) 31 90 50. Telex 19470 UBN BK. Domestic name: Sparebanken ABC.

# Union Bank of Norway

## Porgera gold find fillip for partners

By Michael Thompson-Noel in Sydney

Partners in the Porgera gold prospect in Papua New Guinea (PNG) have announced the discovery of a potential bonanza—a high-grade section of 1.7m tonnes of ore averaging 40g of gold per tonne.

The news galvanised Australian share markets, analysts viewed a gold discovery of this grade and magnitude as extremely rare.

Shares in Placer Development, which manages the prospect, rose A\$7.50 yesterday to A\$30. MIM Holdings gained 5 cents to A\$2.62, and Reinson Goldfields 40 cents to A\$6.10. Each has a one-third stake in Porgera, in the rugged PNG Highlands.

The total ore body at Porgera contains 59m tonnes of ore grading 3.55g of gold per tonne, which is probably not economical. However, within that body is a section of 15m tonnes grading about 6g per tonne, and within that section a sub-zone of 1.7m tonnes at 40g per tonne.

The sub-zone is therefore 22 times as rich as Australia's biggest producing gold mine—Kidd, a northern Queensland—although recovery costs are appreciably greater.

In Brisbane yesterday Sir Bruce Watson, chairman of MIM, spoke enthusiastically of the Porgera discovery. He also defended MIM's recent controversial decision to raise its stake in Asarco, the troubled U.S. mining group, to 32.4 per cent, by paying Mr Robert Holmes & Court A\$140m (US\$98m) for a 13.3 per cent parcel.

MIM already has large debts. The coal division, Sir Bruce added, was expected to return to profit this year after an A\$12.5m pre-tax loss in 1984-85.

## Malaysia to tighten banking laws

BY WONG SULONG IN KUALA LUMPUR

THE Malaysian Government is to introduce several banking Bills in the current budget session of parliament aimed at giving it wide powers to crack down on abuses, including the power for Bank Negara, the central bank, to take over an ailing bank or financial institution.

Under the present law, Bank Negara can help a financially troubled bank only by being the lender of last resort, but under the proposed amendments to the Central Banking Ordinance of 1958, it would be empowered either to grant loans or buy control of a bank to save it from collapse.

The central bank would then nurse it back to financial health before selling off the shares to other parties which it thought were capable of managing the bank. This new power is intended to protect minority

shareholders and depositors from abuses and malpractices by majority shareholders.

Malaysian bankers generally accept the need for such an amendment, but as the final draft of the Bill is still not available, they are uncertain about the full scope of central bank powers in this respect.

Bankers had objected to the original draft of the Bill, which would give wide discretion to Bank Negara in determining when a bank or financial institution is "incapable of meeting its financial obligations," and in setting the price to be paid for control of the bank.

A banking licence carries a high financial premium in Malaysia, but it is believed that in the takeover of a financially troubled bank, no such premium will be taken into account by Bank Negara.

It is understood, however,

that a committee would be set up to advise Bank Negara on the acquisition of ailing banks and the subsequent disposal of their shares once they are financially sound.

Another amendment that is worrying to bankers is the proposal making it a criminal offence for bank directors and officers to exceed the limits of their lending powers. While this is designed to prevent an occurrence similar to the Hong Kong loans scandal, which culminated in the state rescue of Bank Bumiputra, bankers say the original draft amendment is so loosely worded that it gives enormous powers to the Finance Minister.

One banker said: "Under the amendment, the Finance Minister can, theoretically, end up as the chief operating officer of the banks because he can issue

instructions to every director and officer as regards their lending limits and which areas they are supposed to lend."

Two other Bills—making amendments to the Banking and Finance Companies Acts—would limit future bank ownership to a maximum of 10 per cent for an individual or family, and up to 30 per cent for companies and co-operatives. This, however, will not apply to foreign banks which want to restructure in accordance with Malaysia's new economic policy, and foreign parent companies can still retain a maximum stake of 30 per cent.

Commercial banks and merchant banks are also prohibited from having cross-holdings in other commercial banks and in subsidiaries of other banks and finance companies which are not within the group.

## Chinese provincial agency to issue Y10bn bonds

BY YOKO SHIRATA IN TOKYO

FUJIAN Investment and Enterprise Corporation plans next month to issue Y10bn (\$4.4m) in samurai bonds, in what is believed to be the first public bond offering in Japan by a Chinese provincial financial agency.

Bank of China, the country's central bank, has tapped the yen-dominated market through a public offering in the past, while the Fujian agency came to the Japanese capital market in 1983 when it raised yen funds through a private placement, together with the China International Trust and Investment Corporation (Citic).

Reflecting the province's need to fund modernisation projects, the institution has decided to tap the samurai bond market through a public offering of 10-year bonds. The issue will be lead-managed by Nomura Securities, with the Bank of Tokyo as a main trustee bank. The Japanese Underwriters' Association at the same time revealed that four yen-denominated samurai bonds are to be issued for a total of Y155bn in December. Citic is due to float a second series of 10-year bonds totalling Y30bn, while other issues planned are the Irish Government's sixth series 10-year bonds for Y20bn, the Swedish Government's ninth series 10-year bonds for Y75bn, and the Spanish Government's fifth series 10-year bonds of Y30bn.

The association said private placements of yen-denominated samurai bonds would reach a record Y32.5bn in October. The previous peak was Y30bn in June 1978.

Last week, the Turkish Tourist Development Bank issued Y7.5bn seven-year yen bonds by private placement, and the Indian Industrial Finance Corporation signed ten-year bonds for Y5bn. Other small borrowers are Trinidad and Tobago (a seven-year issue for Y10bn) and the West Australian Energy Agency (a 10-year bond for Y10bn) are scheduled to sign this month.

## Third-quarter slowdown at Matsushita Electric

BY OUR TOKYO STAFF

MATSUSHITA ELECTRIC Industrial, the leading Japanese electronics group, suffered a slowdown in growth both for consolidated sales and net profits in the third quarter to August 20 because of the maturity of the market for video cassette recorders (VCRs) and small potential demand for new products.

Net profits rose just 2 per cent to Y59bn (\$73.5m). Income before tax and minority interests was Y163.9bn, up 5 per cent from the previous year, on group sales which at

Y1,238.5bn showed a gain of 6 per cent from the Y1,173.1bn recorded in the previous year.

For the nine months, consolidated net earnings rose 12 per cent to Y156.8bn on sales of Y2,729.9bn, up 9 per cent from the previous year.

Kyodo adds from Tokyo: Akai Electric, the session-hit maker of audio products, has announced a package of rehabilitation measures, including a tie-up with Mitsubishi Electric ranging from development to marketing.

## Notice to Holders

## New Zealand

## Adjustable Rate Extendible Notes, Series A

Pursuant to paragraph 5(e) of the Fiscal Agency Agreement dated November 7, 1984 between New Zealand and Citibank, N.A., fiscal agent, notice is hereby given that New Zealand has designated a Subsequent Repayment Date and interest rate for the period ending on such Subsequent Repayment Date, with respect to New Zealand's Adjustable Rate Extendible Notes, Series A (the "Notes").

## Subsequent Repayment Date

New Zealand has designated February 5, 1986 as the next Subsequent Repayment Date.

## Interest Rate

The interest rate on the Notes from November 6, 1985 to February 5, 1986 will be equal to (a) the weighted average per annum discount rate for direct obligations of the United States with a maturity of 91 days ("91-day Treasury bills"), expressed as a bond equivalent on the basis of a year of 365 or 366 days and applied on a daily basis, at the applicable 91-day Treasury bill auction (the date of such auction being herein referred to as an "Auction Date") as published by the Board of Governors of the Federal Reserve System or (if not so published) as reported by the Department of the Treasury (the "91-day Treasury bill rate") / plus (b) the Applicable Spread (as defined below) for such Auction Date.

Such Treasury bills are usually sold at auction on Monday of each week unless that day is a legal holiday in which case the auction is usually held on the preceding Friday. If on an Auction Date the 91-day Treasury bill rate is not published or reported prior to February 5, 1986, the then current rate of interest will remain in effect until the earlier of February 5, 1986 or such time as such rate is again published or reported.

The interest rate will be subject to adjustment on the calendar day following each auction of 91-day Treasury bills; provided, however, (i) that the interest rate in effect for the period from November 6, 1985 through the date of the first 91-day Treasury bill auction after such date shall be based upon the results of the most recent 91-day Treasury bill auction prior to such date, and (ii) that the interest rate in effect for the ten day period immediately prior to February 5, 1986 shall be based upon the results of the most recent 91-day Treasury bill auction prior to the tenth day preceding such date.

The "Applicable Spread" for an Auction Date will be equal to the greater of (a) 60% of the amount by which three-month LIBOR on such Auction Date (determined as provided below) exceeds the 91-day Treasury bill rate on such Auction Date and (b) 80 basis points.

Three-month LIBOR on an Auction Date will be equal to the arithmetic average (rounded upward, if necessary, to the nearest multiple of 1/16 of 1%) of the quotations provided by the principal London office of each of the Reference Banks (as defined below) to the Fiscal Agent on such Auction Date for United States dollar deposits for the three month period beginning on such Auction Date as offered to leading banks in the London interbank market at approximately 3:00 p.m. (London time) on such Auction Date. If on any Auction Date at least two Reference Banks provide quotations to the Fiscal Agent, three-month LIBOR on such Auction Date shall be the arithmetic average (rounded as stated above) of such quotations; if on any Auction Date less than two Reference Banks provide such quotations, then three-month LIBOR on such Auction Date shall be the same as three-month LIBOR on the immediately preceding Auction Date. "Reference Banks" means Citibank, N.A., The Chase Manhattan Bank (National Association) and Lloyds Bank PLC.

Each holder of a Note will be deemed to have elected to extend the date of repayment of such Note to February 5, 1986 unless the form entitled "Option to Elect Repayment" appearing on the reverse side of the Note or a facsimile or telex thereof, duly completed by the holder of such Note, has been received by the Fiscal Agent in the care of Notes in registered form, at its address at 111 Wall Street, Registered Bond Processing Department, Fifth Floor, New York, New York 10043, and in the case of Notes in bearer form, at the main office of the Fiscal Agent in London, NOT LATER THAN JANUARY 27, 1986.

Dated: October 16, 1985

CITIBANK, N.A., Fiscal Agent

## NOTICE



## BANCO DE LA NACION ARGENTINA

U.S.\$ 25,000,000

Floating Rate Notes due 1987

In accordance with the provision of the Notes, notice is hereby given that for the six-month interest period from 23rd October, 1985, to 23rd April, 1986, the Notes will carry an interest rate of 8 1/2 per cent per annum and the Coupon amount per US\$5,000 will be US\$216.44. Interest payment date is 23rd April, 1986.

Daiwa Singapore Limited Agent Bank

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Floating Rate Notes 1992

Notice is hereby given that the Rate of Interest for the initial Interest Period has been fixed at 11 1/4% p.a. and that the interest payable on the relevant Interest Payment Date, April 22, 1986, in respect of Coupon No. 1 will be £291.39.

County Bank Limited

October 1985

New Issue October 23, 1985

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## INTL. COMPANIES AND FINANCE

## Union Carbide takes \$1bn special charge

BY WILLIAM HALL IN NEW YORK

UNION CARBIDE, the troubled U.S. chemicals group, reported a \$543m after-tax loss in its third quarter after taking a \$1bn special charge to cover the cost of its restructuring programme.

The charge is slightly larger than the figure given in late August at the time of the restructuring announcement. When added to the extraordinary depreciation charge it means that third-quarter earnings have been depressed by \$1.06bn on a pre-tax basis.

The after-tax impact is equivalent to \$0.20m, or \$0.61 a share.

Union Carbide lost \$7.72 a share in the quarter, compared with net income of \$1.09 a share in the same period last year.

The group says that leaving aside the impact of the special charges its 1985 third-quarter net earnings were unchanged at \$71m, or \$1.09 a share.

## Restructuring costs hit Crown Zellerbach

BY OUR NEW YORK STAFF

CROWN Zellerbach, the U.S. West Coast forest products group controlled by Sir James Goldsmith, the Anglo-French financier, lost \$94.9m in its third quarter after taking a \$108.2m after-tax charge to cover restructuring.

Income before the charge for the three months to the end of September was \$21.6m, or 64 cents a share, compared with \$22.9m, or 70 cents, for the first nine months Crown lost \$43.9m, or \$2.04 a share.

The company says the restructuring charges "reflect the cost of further focusing the company on its core businesses and streamlining operations."

Mr William T. Creson, Crown Zellerbach's chief executive, said: "Although there were few bright spots in the marketplace during the quarter, Crown's operating results are encouraging compared with others in our industry."

## FT INTERNATIONAL BOND SERVICE

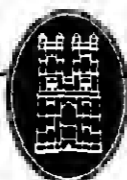
The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for October 22.

U.S. DOLLAR	Issued	Old	Other	Change on	Yield
STRANDED					
Ames Credit 10% 85	100	100	100	0.00	10.00
Ames Credit 12% 85	100	100	100	0.00	12.00
Ames Credit 14% 85	100	100	100	0.00	14.00
Ames Credit 16% 85	100	100	100	0.00	16.00
Ames Credit 18% 85	100	100	100	0.00	18.00
Ames Credit 20% 85	100	100	100	0.00	20.00
Ames Credit 22% 85	100	100	100	0.00	22.00
Ames Credit 24% 85	100	100	100	0.00	24.00
Ames Credit 26% 85	100	100	100	0.00	26.00
Ames Credit 28% 85	100	100	100	0.00	28.00
Ames Credit 30% 85	100	100	100	0.00	30.00
Ames Credit 32% 85	100	100	100	0.00	32.00
Ames Credit 34% 85	100	100	100	0.00	34.00
Ames Credit 36% 85	100	100	100	0.00	36.00
Ames Credit 38% 85	100	100	100	0.00	38.00
Ames Credit 40% 85	100	100	100	0.00	40.00
Ames Credit 42% 85	100	100	100	0.00	42.00
Ames Credit 44% 85	100	100	100	0.00	44.00
Ames Credit 46% 85	100	100	100	0.00	46.00
Ames Credit 48% 85	100	100	100	0.00	48.00
Ames Credit 50% 85	100	100	100	0.00	50.00
Ames Credit 52% 85	100	100	100	0.00	52.00
Ames Credit 54% 85	100	100	100	0.00	54.00
Ames Credit 56% 85	100	100	100	0.00	56.00
Ames Credit 58% 85	100	100	100	0.00	58.00
Ames Credit 60% 85	100	100	100	0.00	60.00
Ames Credit 62% 85	100	100	100	0.00	62.00
Ames Credit 64% 85	100	100	100	0.00	64.00
Ames Credit 66% 85	100	100	100	0.00	66.00
Ames Credit 68% 85	100	100	100	0.00	68.00
Ames Credit 70% 85	100	100	100	0.00	70.00
Ames Credit 72% 85	100	100	100	0.00	72.00
Ames Credit 74% 85	100	100	100	0.00	74.00
Ames Credit 76% 85	100	100	100	0.00	76.00
Ames Credit 78% 85	100	100	100	0.00	78.00
Ames Credit 80% 85	100	100	100	0.00	80.00
Ames Credit 82% 85	100	100	100	0.00	82.00
Ames Credit 84% 85	100	100	100	0.00	84.00
Ames Credit 86% 85	100	100	100	0.00	86.00
Ames Credit 88% 85	100	100	100	0.00	88.00
Ames Credit 90% 85	100	100	100	0.00	90.00
Ames Credit 92% 85	100	100	100	0.00	92.00
Ames Credit 94% 85	100	100	100	0.00	94.00
Ames Credit 96% 85	100	100	100	0.00	96.00
Ames Credit 98% 85	100	100	100	0.00	98.00
Ames Credit 100% 85	100	100	100	0.00	100.00

OTHER STRANDED	Issued	Old	Other	Change on	Yield
Ames Credit 10% 85	100	100	100	0.00	10.00
Ames Credit 12% 85	100	100	100	0.00	12.00
Ames Credit 14% 85	100	100	100	0.00	14.00
Ames Credit 16% 85	100	100	100	0.00	16.00
Ames Credit 18% 85	100	100	100	0.00	18.00
Ames Credit 20% 85	100	100	100	0.00	20.00
Ames Credit 22% 85	100	100	100	0.00	22.00
Ames Credit 24% 85	100	100	100	0.00	24.00
Ames Credit 26% 85	100	100	100	0.00	26.00
Ames Credit 28% 85	100	100	100	0.00	28.00
Ames Credit 30% 85	100	100	100	0.00	30.00
Ames Credit 32% 85	100	100	100	0.00	32.00
Ames Credit 34% 85	100	100	100	0.00	34.00
Ames Credit 36% 85	100	100	100	0.00	36.00
Ames Credit 38% 85	100	100	100	0.00	38.00
Ames Credit 40% 85	100	100	100	0.00	40.00
Ames Credit 42% 85	100	100	100	0.00	42.00
Ames Credit 44% 85	100	100	100	0.00	44.00
Ames Credit 46% 85	100	100	100	0.00	46.00
Ames Credit 48% 85	100	100	100	0.00	48.00
Ames Credit 50% 85	100	100	100	0.00	50.00
Ames Credit 52% 85	100	100	100	0.00	52.00
Ames Credit 54% 85	100	100	100	0.00	54.00
Ames Credit 56% 85	100	100	100	0.00	56.00
Ames Credit 58% 85	100	100	100	0.00	58.00
Ames Credit 60% 85	100	100	100	0.00	60.00
Ames Credit 62% 85	100	100	100	0.00	62.00
Ames Credit 64% 85	100	100	100	0.00	64.00
Ames Credit 66% 85	100	100	100	0.00	66.00
Ames Credit 68% 85	100	100	100	0.00	68.00
Ames Credit 70% 85	100	100	100	0.00	70.00
Ames Credit 72% 85	100	100	100	0.00	72.00
Ames Credit 74% 85	100	100	100	0.00	74.00
Ames Credit 76% 85	100	100	100	0.00	76.00
Ames Credit 78% 85	100	100	100	0.00	78.00
Ames Credit 80% 85	100	100	100	0.00	80.00
Ames Credit 82% 85	100	100	100	0.00	82.00
Ames Credit 84% 85	100	100	100	0.00	84.00
Ames Credit 86% 85	100	100	100	0.00	86.00
Ames Credit 88% 85	100	100	100	0.00	88.00
Ames Credit 90% 85	100	100	100	0.00	90.00
Ames Credit 92% 85	100	100	100	0.00	92.00
Ames Credit 94% 85	100	100	100	0.00	94.00
Ames Credit 96% 85	100	100	100	0.00	96.00
Ames Credit 98% 85	100	100	100	0.00	98.00
Ames Credit 100% 85	100	100	100	0.00	100.00

## North American quarterly results

CANADA PACKERS			
Food processing			
Six months	1985-86	1984-85	
	C\$	C\$	
Revenue	1,000.00	1,000.00	
Net profits	100.00	100.00	
Op. net per share	1.00	1.00	
Dividend	0.50	0.50	
EPS	0.50	0.50	
Book value	1.00	1.00	
Market price	10.00	10.00	
Price/earnings	20.00	20.00	
Dividend yield	5.00%	5.00%	
EPS growth	10.00%	10.00%	
Book value growth	10.00%	10.00%	
Market price growth	10.00%	10.00%	
Price/earnings growth	10.00%	10.00%	
Dividend yield growth	10.00%	10.00%	
EPS growth	10.00%	10.00%	
Book value growth	10.00%	10.00%	
Market price growth	10.00%	10.00%	
Price/earnings growth	10.00%	10.00%	
Dividend yield growth	10.00%	10.00%	
EPS growth	10.00%	10.00%	
Book value growth	10.00%	10.00%	
Market price growth	10.00%	10.00%	
Price/earnings growth	10.00%	10.00%	
Dividend yield growth	10.00%	10.00%	
EPS growth	10.00%	10.00%	
Book value growth	10.00%	10.00%	
Market price growth	10.00%	10.00%	
Price/earnings growth	10.00%	10.00%	
Dividend yield growth	10.00%	10.00%	
EPS growth	10.00%	10.00%	
Book value growth	10.00%	10.00%	
Market price growth	10.00%	10.00%	
Price/earnings growth	10.00%	10.00%	
Dividend yield growth	10.00%	10.00%	
EPS growth	10.00%	10.00%	
Book value growth	10.00%	10.00%	
Market price growth	10.00%	10.00%	
Price/earnings growth	10.00%	10.00%	
Dividend yield growth	10.00%	10.00%	
EPS growth	10.00%	10.00%	
Book value growth	10.00%	10.00%	
Market price growth	10.00%	10.00%	
Price/earnings growth	10.00%	10.00%	
Dividend yield growth	10.00%	10.00%	
EPS growth	10.00%	10.00%	
Book value growth	10.00%	10.00%	
Market price growth	10.00%	10.00%	
Price/earnings growth	10.00%	10.00%	
Dividend yield growth	10.00%	10.00%	
EPS growth	10.00%	10.00%	
Book value growth	10.00%	10.00%	
Market price growth	10.00%	10.00%	
Price/earnings growth	10.00%	10.00%	
Dividend yield growth	10.00%	10.00%	
EPS growth	10.00%	10.00%	
Book value growth	10.00%	10.00%	
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## ABBEY LIFE GROUP PLC. STATEMENT OF RESULTS, HALF-YEAR TO 25 JUNE 1985, AND INTERIM DIVIDEND ANNOUNCEMENT.

STATEMENT OF RESULTS, HALF-YEAR TO 25 JUNE 1985.

The following figures, which are estimated and unaudited, compare Group performance in the first half of 1984 with the first half of 1985, with full year 1984 performance also shown.

	First Half 1985 £m	First Half 1984 £m	Full Year 1984 £m
NEW INITIAL COMMISSIONS.	24.1	24.1	45.5
NEW PREMIUMS. (Annual Rate)			
Regular Premium Life	16.2	20.3	35.9
Single Premium Life & Annuities	43.5	64.8	129.6
Pensions	35.4	27.3	55.2
Health and Other	2.0	2.0	3.2
TOTAL NEW PREMIUMS.	97.1	114.4	223.9
PREMIUM INCOME.	184.1	186.9	376.1
LIFE FUNDS.	1844.8	1628.4	1801.9

### INTERIM DIVIDEND.

In the Offer for Sale of Shares in Abbey Life Group plc in June 1985, it was stated that the Directors expected to recommend an interim dividend of 2.2p per share (3.14p inclusive of tax credit); the Directors are pleased to confirm that a dividend of this amount will be paid on 29 November to all shareholders on the register at close of business on 7 November.

### A STATEMENT BY THE CHAIRMAN, MICHAEL HEPHER.



As forecast in the Prospectus, business was very buoyant for the Group during the first half of the year, mirroring closely the trading pattern of the first six months of 1984. The results then and in 1985 were distorted, beneficially, by the effects of Government Budgets.

In the first six months of this year, new initial commissions - the most meaningful measurement of future profit performance - were boosted by a surge in pensions business resulting from rumours that new schemes would be treated unfavourably in the March budget.

The interim results for 1984 were similarly boosted by a major increase in life assurance sales, prior to the abolition of life assurance premium relief.

Whilst sales since June have been marginally lower than expected, the Directors are confident that sales performance for the whole year will be similar to 1984.

In this, the company's first dividend announcement, the Directors of Abbey Life extend a warm welcome to the many thousands of new shareholders in the Group.



Abbey Life Group plc, Abbey Life House, 80 Holdenhurst Road, Bournemouth BH8 8AL. Telephone: (0202) 292373.

## INTL. COMPANIES & FINANCE

# VW-Audi accelerates towards top place in European car sales

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE Volkswagen-Audi group will sell a record 1.35m cars in western Europe this year, says Dr Werner Schmidt, the sales and marketing director.

He hopes this will give VW-Audi top place in European car sales for the first time in its history. Capacity constraints might still prevent the group taking the championship title from Ford, last year's winner. VW-Audi's car plants are straining at the seams and it wanted to gain a little more production by working a six-day week on the lines making its best-selling Golf.

However, the unions are embroiled in a campaign to persuade the West German Government to take action to create more jobs by, among other things, banning overtime working. So they have rejected a plan for Saturday working which would have added another 3,000 Golfs a week to VW-Audi's output.

Dr Schmidt admits he would be disappointed if VW-Audi did not win the European championship. "It means a great deal in terms of motivation for our employees and our dealers."

The group's current sales surge has been created mainly by the new Golf. Although criticised at the time of its launch as being visually too much like its predecessor, the Golf has proved to be the fastest-selling car in European history, achieving 1m sales in only 24 months.

The Golf and its boosted version, the Jetta, will account for 51 per cent of this year's record European VW-Audi sales; more than 688,000 will take to the roads.

This is far ahead of VW-Audi's own expectations. For example, in June 1984, the group predicted Golf/Jetta sales would reach an annual figure of almost 600,000 in Europe.

Last year VW-Audi sold a total of 1.22m cars in Europe to take third place in the manufacturers' league (Fiat was second), while the Golf/Jetta was the best-selling car with 539,000 registrations.

Dr Schmidt argues that VW-Audi's example shows there is really no excess car production capacity in western Europe as a whole, in spite of some claims that the industry could produce another 2m cars

compared with an annual output of about 10m.

He insists the industry needs 5 per cent to 10 per cent of surplus capacity in a normal year - such as 1985 - so that it can match peak demand. From time to time individual manufacturers did suffer from excess capacity, however.

Dr Schmidt suggests that the

recent months there seems to have been a marked change of approach by the two American groups and that they seem now to be more interested in profitable sales rather than in achieving the highest possible market share in Europe.

Dr Schmidt says the U.S. remains the brightest spot on VW-Audi's world sales map and the Latin American countries, Brazil and Mexico, the darkest.

The company will sell about 220,000 VW cars in the States this year (including about 70,000 Golfs made in the U.S.) plus 70,000 to 80,000 Audi models. He refuses to be drawn into giving too many details about the low-priced model VW intends to import into the States from its Brazilian subsidiary, because the vehicle will not go on sale until the end of 1986.

The price of the Brazilian car will be "well below the cheapest Golf in the States," he adds. The introduction of the model should help VW dealers resist the temptation to take on some of the franchisees for the very low-cost cars on offer in the U.S. from Hyundai of South Korea and Yugo of Yugoslavia, for example.

Dr Schmidt claims: "Our 900 dealers in the States could live without the Brazilian car - but they will live a little better with it."

He makes it clear that the major reason for the venture

is VW's commitment to the Brazilian government to export from that country.

The U.S. business will also help VW's Brazilian car plants cover some of their overheads at a time when the recession in that country's domestic market seems destined to continue for some years. Total Brazilian car sales are running at an annual 800,000 whereas the industry has the capacity to produce at least 1m.

Herr Hans Hungerland, export sales manager for VW and Audi cars, says that sales of the Santana, built for the group by Nissan in Japan, will fall this year from 17,400 to about 15,000 - but are expected to hold that annual level. Sales of imported VW and Audi cars in Japan should also remain at about 20,000 a year so that the group holds - and is determined to maintain - a 1 per cent share of the Japanese car market.

VW's car production venture in China has suffered some slight setbacks as a result of the Chinese government's recent economic clamp-down and restrictions on foreign currency dealings, Herr Hungerland reveals.

However, VW still expects to produce 30,000 Santana models in China in 1987 as originally intended. Assembly of Audi 100 models at the rate of 1,000 a year has been postponed a few months to early 1986.



VW aims for the U.S. market with an updated GTI model

This announcement appears as a matter of record only.



## Harrisons & Crosfield PLC

£110,000,000  
Revolving Credit Facility  
with Associated Tender Panel for  
£130,000,000

Arranged by

**BARING BROTHERS & CO., LIMITED**

Lead Managed by

Barclays Bank PLC  
Central Trustee Savings Bank Limited

Baring Brothers & Co., Limited  
Standard Chartered Bank

Managed by

Algemene Bank Nederland N.V.

Lloyds Bank Plc

Underwriting Banks

Central Trustee Savings Bank Limited  
Barclays Bank PLC  
Lloyds Bank Plc  
Barclays Merchant Bank Limited

Standard Chartered Bank  
Algemene Bank Nederland N.V.  
Banque Nationale de Paris p.l.c.  
The Toronto-Dominion Bank

Baring Brothers & Co., Limited

Tender Panel Members

Algemene Bank Nederland N.V.  
London Office

Amsterdam-Rotterdam Bank N.V.  
London Branch

Banca Commerciale Italiana  
London Branch

Banco di Napoli

Banco di Roma  
London Branch

Bank of Ireland

Banque Nationale de Paris p.l.c.

Barclays Bank PLC

Barclays Merchant Bank Limited

Baring Brothers & Co., Limited

Central Trustee Savings Bank Limited

Credit Agricole  
London Branch

Credit Commercial de France  
London Branch

Credit Du Nord  
London Branch

The Dai-ichi Kangyo Bank, Limited

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London Branch

Dresdner Bank A.G.  
London Branch

The Fuji Bank, Limited

The Industrial Bank of Japan, Limited

Lloyds Merchant Bank Limited

The Mitsubishi Bank, Limited

The Mitsui Bank, Limited

The Royal Bank of Canada

The Sanwa Bank, Limited

Societe Generale

Standard Chartered Bank

The Sumitomo Bank, Limited

Toronto Dominion International Limited

Union Bank of Switzerland

Tender Panel Agent

Baring Brothers & Co., Limited

October, 1985

This announcement appears as a matter of record only.



## WH SMITH & SON LIMITED

Guaranteed by

**WH SMITH & SON (HOLDINGS) PLC**

£60,000,000  
Revolving Credit Facility  
with Associated Tender Panel for  
£80,000,000

Arranged by

**BARING BROTHERS & CO., LIMITED**

Managed by

Bank of America NT & SA  
Baring Brothers & Co., Limited

Barclays Bank PLC  
Lloyds Bank Plc

Underwriting Banks

Bank of America NT & SA

Lloyds Bank Plc

Barclays Bank PLC

Baring Brothers & Co., Limited  
Chemical Bank  
The Sumitomo Bank, Limited

Central Trustee Savings Bank Limited  
Commerzbank Aktiengesellschaft, London Branch  
Swiss Bank Corporation

Tender Panel Members

Algemene Bank Nederland N.V.

Bank of America NT & SA

Banque Belge Limited

Banque Paribas (London)

Barclays Bank PLC

Baring Brothers & Co., Limited

Central Trustee Savings Bank Limited

Chemical Bank

Commerzbank Aktiengesellschaft, London Branch

Credit Commercial de France, London Branch

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Credit Suisse

Deutsche Bank Aktiengesellschaft, London Branch

The Fuji Bank, Limited

Grindley Brandts Limited

Kleinwort, Benson Limited

Lloyds Merchant Bank Limited

The Mitsubishi Bank, Limited

The Mitsui Bank, Limited

The Sanwa Bank, Limited

The Sumitomo Bank, Limited

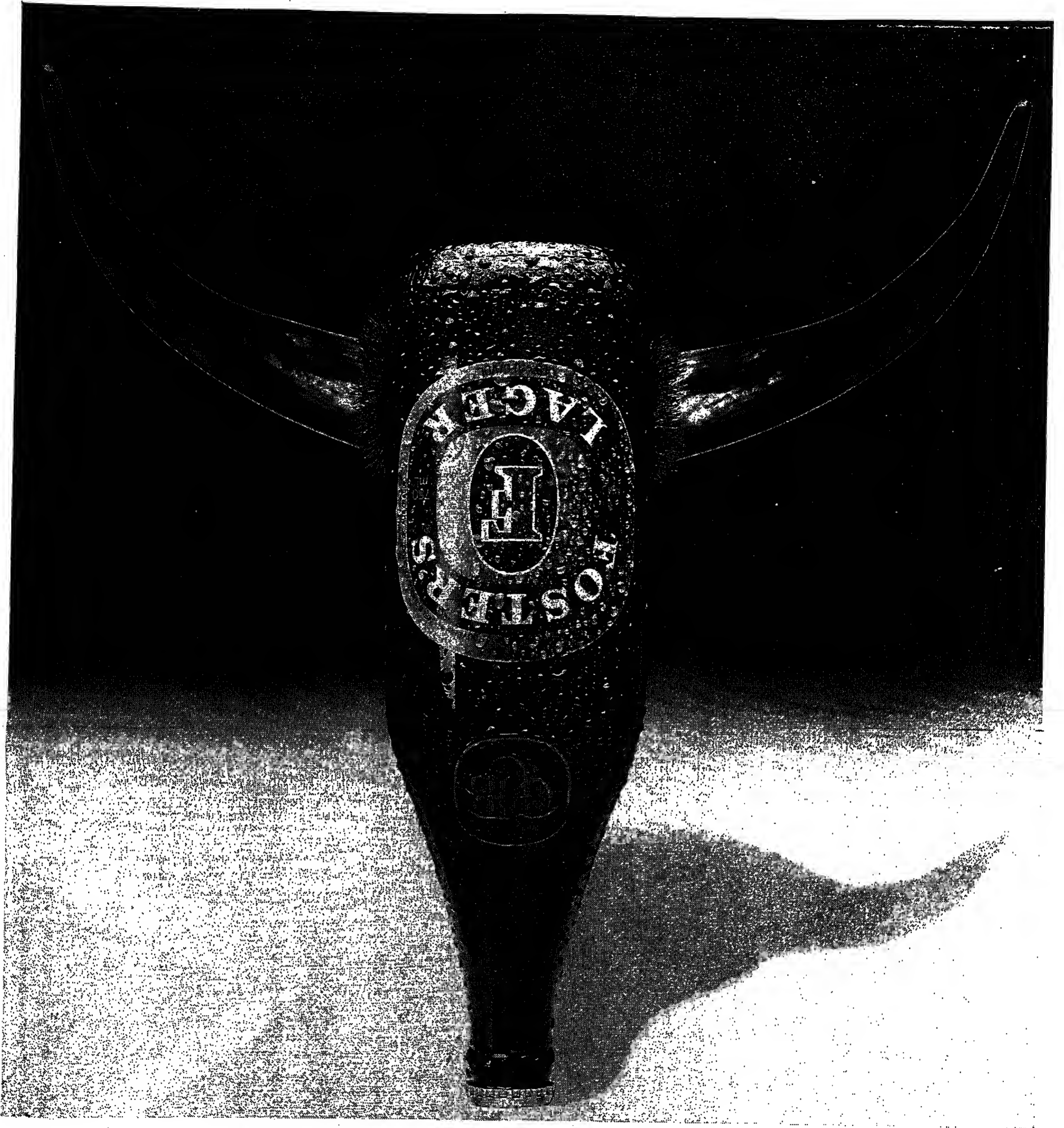
Swiss Bank Corporation

Union Bank of Switzerland

Tender Panel Agent

Baring Brothers & Co., Limited

October 1985



# Back in Oz we're known for our bottle. At MacDonalds we're known for our beef.

We've turned Australia's favourite liquid into a major marketing success in 80 countries worldwide. But Foster's is by no means our only success. Our spread of activities underlines the scope of our management. Like providing the meat for MacDonalds' hamburgers in Hong Kong. Like running a pan Asian banking network from Singapore. Like handling over a third of the world's traded wool. Our International Group is a broadly based worldwide trading house dealing

in agricultural, resource, industrial and consumer products. Our Pastoral Group contributed even more to our turnover than our Carlton brewery division. In 1985 Group turnover was up 25% and net profits after tax were up 50% with all divisions showing strong growth. Success over such a

broad sphere of activities is proof of the depth and strength of our management team, a team that's committed to growth through development, expansion and acquisition. No wonder we're feeling bullish.



THE AUSTRALIAN FOR LARGER

## UK COMPANY NEWS

## Harris Queensway advances 16.5%

BY MARTIN DICKSON

Harris Queensway, the stores group headed by Sir Philip Harris, yesterday reported a 16.5 per cent increase in interim pre-tax profits (including profits on property sales) and announced a deal to buy out Debenhams' minority stakes in their three joint venture companies.

Harris Queensway's pre-tax profits of £14m in the six months to June 23 compared with £12.02m in the same period of last year and market expectations of about £13.5m. The shares closed at 262p, up 5p on the day.

However, the figure includes profits on property transactions of £1.01m (£364,000).

The company also disclosed plans to more than double sales to £1bn over the next five years, with the major growth coming from the electrical side.

The joint ventures with Debenhams were set up in June last year, with Harris paying £10m for a 51 per cent stake in two companies operating inside Debenhams' stores.

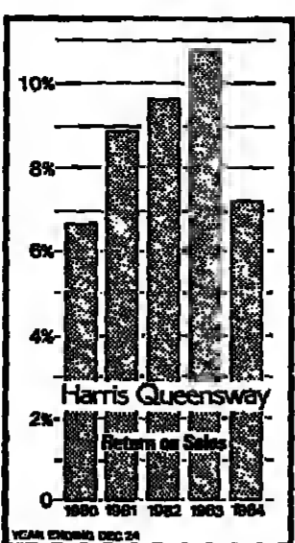
Debenhams Furnishings and Debenhams Leisure Centres—and in an electrical retail chain, The

Ultimate Electrical Company, which was acquired by Burton Group in August after a bitter takeover battle, has now agreed in principle to sell its stake to Harris for between £7.5m and £10m. It is also entering new concession agreements with Harris.

Sir Philip, together with Mr Gerald Ross of Heron International, played a crucial role in the takeover battle, casting a vital vote in favour of Burton. He yesterday declared that the new deal had been agreed with Burton at the time of the takeover. He had backed Burton purely because he considered it the better retailer.

Sir Philip said yesterday's agreement would mean Harris would be able to integrate the three companies more closely with other parts of the group. He said that particular benefits arising from the integration of Rayford Supreme Holdings, which Harris bought in July, with its two other electrical companies, Greens and Ultimate.

The joint-venture companies made £570,000 trading profit in the first half, against losses of



£4.46m, while they were operating last year. Interest charges reduced the figure to breakeven on sales of £44m, but Sir Philip said he would be looking for turnover next year of £130m

from these operations.

The six-month figures were produced on turnover up from £133m to £192m. Attributable profits total £8.28m (£8.95m) and earnings per share are 6.02p (5.06p). There is an interim dividend of 1.40p (1.25p).

Sir Philip said trading conditions in the first half were affected by bad weather and increases in interest and mortgage rates, but spending on electrical goods had generally been more buoyant throughout the period and there was some improvement in spring and early summer in the carpet and furniture divisions.

Trading since June had seen some improvement, apart from normal seasonal factors, and the company anticipated this continuing through the coming months, assisted by falling interest rates. It had every confidence of achieving satisfactory results for the 13 months to January.

The company is changing its year-end to January 26 for operational reasons.

See Lex

## William Morris downturn at midway

William Morris Fine Arts, the sculpture castings and wallpaper manufacturer, suffered a sharp profits downturn in the first half of 1983 and has terminated all the ongoing ranges of Leyland Wallcoverings, which was acquired only a year ago.

Group profit margins were considerably lower with higher turnover of £6.47m, against £2.45m, producing a slightly higher operating profit of £362,000 compared with £350,000.

In addition, interest charges soared from £4,000 to £156,000 leaving the taxable result well down at £192,000 against £246,000—accounted for £14,000.

Below the line—tax took £74,000 (£129,000)—there were net extraordinary losses of £273,000 (£108,000) giving a retained loss of £457,000 (£36,000), which has depleted reserves and again prevented dividend payments.

The charges were higher than forecast, says Mr Trevor Barker, the chairman. "We accelerated the rationalisation of the Leyland operation into the first half of 1983 and took some substantial costs in the interests of quickly integrating the two operations."

The Leyland ranges proved to be substantially less acceptable in the market place than anticipated and resulted not only in unproductive expenditure but also restricted our ability to service our customers with the new and popular ranges."

These reasons, he says, led to the termination of Leyland ranges at the end of last month which will "inevitably affect the second half of 1983."

Elsewhere, the foundry division, as secured further orders, and the company is now upon a system of more economic production of "such a substantially increased order book."

Despite the problems, he says, "we feel that we now have a more balanced business with all the considerable potential for 1983 and onwards. I view the future with optimism."

## Wolseley-Hughes climbs by 21% to record £31.5m

EXCELLENT results achieved in the U.S. have enabled the Wolseley-Hughes group of manufacturing and distribution companies to lift its pre-tax profit by 21.4 per cent, from £25.85m to £31.49m in the year ended July 31 1983.

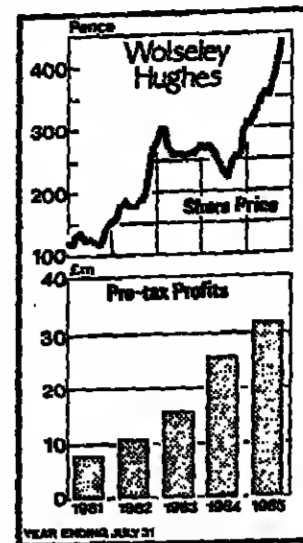
Shareholders enjoy a dividend rise from 8.75p to 11p net (equal to 25.7 per cent), the final being 9p. Normal policy is to keep increases at least in line with inflation but the directors have gone above that this time in view of the significant improvement in results and the unusually large cover.

As a further expression of confidence they are recommending a one-for-four scrip issue.

Mr Jeremy Lancaster, the chairman and managing director, says the results represent the group's third successive record, and were in the main attributable to Ferguson Enterprises in the U.S., the distributor of plumbers' supplies. It now operates from 93 locations compared with 54 when it joined the group in mid-1982.

Group turnover in the year rose from £445.2m to £527.1m, while the trading profit, before interest charges, was up from £28.82m to £31.49m. Contributions were UK distribution £22.25m (£217.60m) and £15.72m (£15.27m). U.S. distribution £22.8m (£181.53m) and £13.35m (£31.4m), engineering and plastics £23.6m (£24.38m) and £2.75m (£2.05m), agricultural machinery £22.25m (£21.6m) and £1.6m (£1.58m).

Mr Lancaster says expressed



year. There were mixed performance from the farm machinery companies.

Financial position remains strong. At the year-end sterling balances had improved by £3.8m while dollar borrowings were around \$2m lower. The gearing ratio was 11.1 per cent (20.6 per cent).

## comment

Lower than expected interest charges in the second half helped take Wolseley-Hughes about £1m ahead of most expectations and the shares responded by putting on 25p to reach 443p. While the UK was a little dull, the sparkling performance of the U.S. side more than made up for it. In a year should see greater effort at extracting a better margin across the Atlantic, where Ferguson Enterprises now challenges for market leadership. For it in a year should see 7 per cent, then we should see closer to 6 per cent reached in the U.S. fairly soon. The success in America is clearly making the group consider another purchase so as to achieve its ideal balanced spread of assets—currently 60 per cent are in the UK. Canada is a possible area for expansion. In the coming year profit growth will be held back by currencies and the failure of the recent UK construction. Plumbers' Captives, to contribute anything. Nevertheless £35m is forecast, which has the shares on a prospective P/E of just over 8, well below average for expansion. The company is a good buy for long.

## Jaguar takes first step towards U.S. quotation

BY DAVID GOODHART

Jaguar yesterday took the first step towards an over-the-counter quotation in the U.S. when an ECM approved a minor amendment to its articles of association.

Between 30 and 40 per cent of Jaguar shares are held by U.S. investors and to facilitate the buying and selling of its shares the company will later this year be listed with the nationally quoted National Association of Security Dealers in Automated Quotations (NASDAQ).

At present its shares trade in the U.S. in the form of American Depositary Receipts—certificates issued by a bank stating that a

specific number of company's shares have been deposited with it.

Jaguar shares now trade through four separate American banks but in order to join NASDAQ it has to limit itself to one—in this case an unnamed New York bank.

When that bank becomes the sole dealer it will nominally hold over 15 per cent of Jaguar's shares. However, when the company was sold back to the private sector by BL in 1981 steps were taken to prevent hostile take-overs for three years—including limiting individual holdings to less than 15 per cent.

## Smith New Court to form Australian subsidiary

Smith New Court, a wholly-owned subsidiary of London stockbroker Smith Bros., is to form an Australian offshoot to trade on the Melbourne Stock Exchange.

The company will be called Smith New Court Australia, and is to be formed in conjunction with Mr John Cousins and Mr Derek Grouns, former partners of the Australian stockbroker Eric J. Morgan. The formation is subject to regulatory permission and to stock exchange permission in London and Melbourne.

Smith New Court was formed as an international dealership in joint venture with N. M. Rothschild, the London merchant bank. After a period of losses, however, Smith Bros bought back Rothschild's 49 per cent stake.

Rothschild retains a 34 per cent stake in the jobber itself, despite speculation in some quarters that the link was likely to dissolve. Smith Bros. has also formed a link with Scott Goff Layton, stockbroker.

## Underwoods offer

Underwoods, chemist, is being brought to the stock market by Morgan Grenfell, which is offering for sale by tender 8.8m shares, representing 25 per cent of the company, at a minimum price of 115p a share.

The group, which runs 35 stores, mainly in Central London, made profits of £1.6m in the year to January 1983 on sales of £20.8m. In the present year, the company forecasts profits will be not less than 2.3m, which, at the minimum tender price, implies a prospective earnings multiple of 20.5.

The full prospectus will be advertised tomorrow, and the application list opens on October 29. Brokers to the issue are Hoare Govett.

## Peachey debenture

Peachey Property is raising £20m through the placing of £20m first mortgage debenture stock 2015. The group has been expanding rapidly, and in May bought a portfolio of properties from Lloyds Bank Property Company for £28m, about £15m of which was funded by bank borrowings.

In the company's annual report, published yesterday, Sir Charles Ball says: "We are actively looking to enlarge our property development programme as well as seeking additional investment opportunities for purchase."

The stock carries a coupon of 10.75 per cent and is priced at £84.43 to yield 10.932 per cent. Dealings in the stock, which is £25 partly paid, will begin on October 24.

## Strike puts Silentnight in red

MAINLY AS a result of a strike at its largest subsidiary, Silentnight Holdings has experienced a near £2m turnaround in the half year ended August 3 1983—from a profit of £1.1m to a first-ever loss of £200,000. The interim dividend is omitted, against 1p last time.

The strike was at Silentnight Beds. But business is steadily returning to normal production levels, which should be reached in the second half.

As to the group as a whole, including Silentnight Beds, chairman Mr Tom Clarke says most have a good order book. "We believe the worst is over and a modest profit is achievable in the second half, but it is too early to forecast the final outcome for the year."

As well as the strike, Mr Clarke says trading conditions

were difficult. Increasing costs, especially of raw materials, have put margins under pressure and made it necessary to impose price rises.

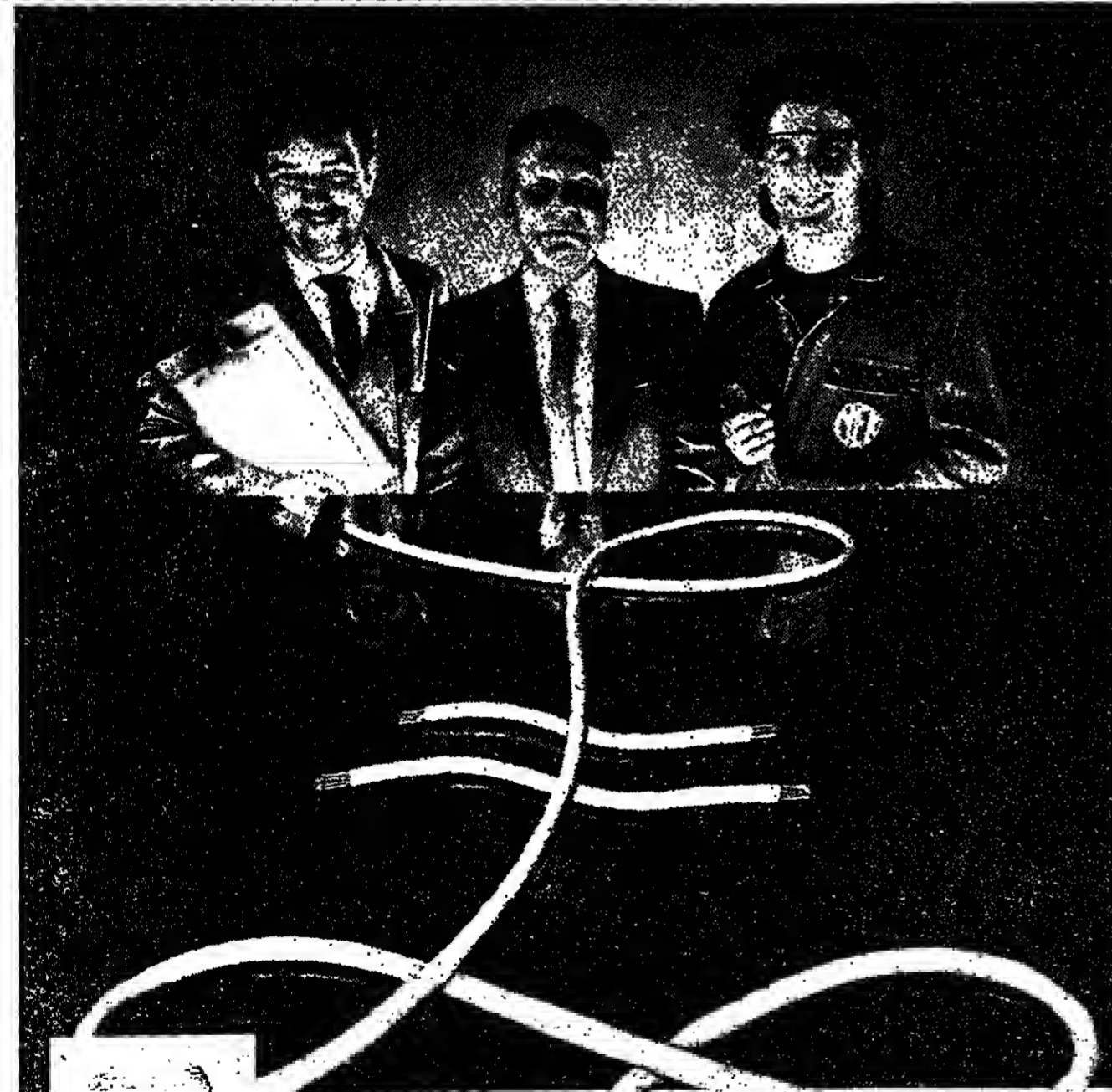
Turnover in the half year fell from £27.75m to £22m and the trading loss came to £555,000, compared with a profit of £1.39m. After tax £160,000 (£255,000 credit) the net loss is £395,000 (profit £1.4m), equal to 2.18p (3.1p) per share.

For the whole of 1983-84 the group turned in a pre-tax profit of £2.23m and paid a dividend total of 2.75p.

views the dispute as over after it asked the 345 staff in July for breach of contract, low level picketing continues and a series of industrial tribunal cases are in the pipeline. The strike followed last year's business reorganisation efforts—in the midst of which the chief executive left. The new chief executive, President, is a former downs operation with 100 fewer workers than the pre-strike 800. Cost savings, the motive for the reorganisation and the refusal to pay the national wage award may now start coming through and there is hope of doing better than break even for the year as a whole. The shares at 80p are at a long time low; those who wish to rest easy at night may well want to wait to see results before venturing in this direction.

DIVIDENDS ANNOUNCED			
Abbey Life	2.2	Nov. 29	—
B & A Film	1.7	Dec. 6	—
Benlox Hedges	0.5	Nov. 29	1.1
English Nat. Inv. Pt. Int.	3.3	—	7.7*
English Nat. Inv. Pt. Int.	0.85	—	0.85*
Irish Glass	1.5	—	1.5
Klark-Teknik	0.6	—	0.6
Lee Cooper	1.4	Nov. 28	1.4
Freemans Metals Ltd.	0.55	—	0.55
Harris Queensway	1.4	Jan. 2	1.25
Walter Runciman	2.5	—	2.5
Silentnight	nil	—	—
Silverlines	1.5	Dec. 31	1.5*
Wolseley-Hughes	9	Jan. 31	6.08* 11 8.75*

Dividends shown pence per share except where otherwise stated.  
\*Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡USM stock.  
\$ Unquoted stock.



## LOOK WHAT WE'RE MAKING IN BRITAIN

A. Bjorvik, Joint Managing Director, NEK Cables

"I'm very pleased to say that our new manufacturing facility in Washington is not only making high-quality industrial cable. It's making money as well. That's due, in some part, to the extremely positive attitude of our workforce up here. They've given us productivity equal to that of our parent company in Norway. They've reduced absenteeism to below the Norwegian average. Their time-keeping has always been excellent."

We've negotiated a one-union agreement that also contains a no-strike commitment. We've found union officials extremely helpful and constructive. In fact industrial relations are very positive at all levels.

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because we have the right approach to encouraging investment. From national government to local authorities, from management to trade unions, we'll work to make your move to Britain a success.

We have the labour skills, with one of Europe's best trained workforces, and we have the infrastructure for supply and distribution. And, with our special position in the international financial world, we offer the security you need.

Talk to your nearest British Consulate for information on the benefits of locating in Britain.

Or write to: Mike Good, Investment in Britain Bureau, Department of Trade and Industry, Kingsgate House, 66-74 Victoria Street, London SW1E 6SJ.

Telex: 01-212 6074.

Telex: 8813148 (D1HQQ).

BRITAIN MEANS BUSINESS

ENGLAND • NORTHERN IRELAND • SCOTLAND • WALES

## Abbey Life pays forecast dividend

Abbey Life Group is paying the 2.2p interim dividend that it forecast in June's offer for sale prospectus of 135m ordinary shares.

The company also reports that since June sales have been marginally lower than expected at the time of the prospectus, but the directors are confident that sales performance for the whole year will be similar to 1984 when total new premiums amounted to £223.9m and total new commissions were £45.5m.

As known new initial commissions for the first half of 1985 were static at £24.1m. Both periods were affected, beneficially, by the impact of Government Budgets—total new premiums for the first half amounted to £211.1m (£114.4m) and premium income was slightly lower at £184.1m (£184.9m).

Such forecasts obviously assume "ideal world" conditions but Morris could be one of the cheapest stocks around for those who have the time to wait a while.

## Britoil closing date

Lazard Brothers reminds shareholders that the second and final instalment of 85p per share on the partly-paid ordinary shares of Britoil must be received by 3 pm on Friday November 1. Payments for £10,000 or more must be in cleared funds by that time.

Holders are warned that failure to pay the final call may mean forfeiting the shares and receiving no payment of the first instalment.

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. Application has been made to the Council of The Stock Exchange for a maximum of 21,500,000 Ordinary Shares of 5p each and a maximum of 18,827,326 7 per cent Convertible Cumulative Redeemable Preference Shares of £1 each (the "Shares") to be admitted to the Official List in connection with the recommended offer by NEVI BALTIC PLC to acquire the whole of the issued share capital of Baltic PLC. It is expected that the Shares will be admitted to the Official List on 25th October 1985.

NEVI BALTIC PLC  
(Registered in England Number 1940651)

Recommended offer to acquire all the issued share capital of Baltic PLC.

Share Capital to be admitted to the Official List		
Authorised		Issued and to be issued fully paid
£1,600,000	Ordinary shares of 5p each	£1,079,302
£20,000,000	7 per cent Convertible Cumulative Redeemable Preference shares of £1 each	£18,827,326

Details of Listing Particulars relating to the above shares are available in the Exel Statistical Service and copies of the Listing Particulars may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) for 14 days from the date of this formal notice up to and including 6th November 1985 from:

Nevi Baltic PLC  
Plumtree Court  
London  
EC4A 4HT

Quail Investment Company (U.K.) Limited  
7 Queen Street  
London W1X 9PH

W. Greenwell & Co.  
Bw Bells House  
Broad Street  
London EC4M 9EL

and from the Company Announcements Office of The Stock Exchange for collection only for the two business days following the date hereof up to and including 25th October 1985.

Dated 23rd October 1985

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange

PEACHEY PROPERTY CORPORATION plc  
(Incorporated with limited liability in England. Registered in England No. 295909)

Placing of £20,000,000 10.75 per cent First Mortgage Debenture Stock 2015 at £98.433 per £100 nominal, payable as to £25 per £100 nominal on 25th October, 1985 and as to the balance by 24th January, 1986

Application has been made to the Council of The Stock Exchange for the whole of the Stock to be admitted to the Official List.

In accordance with the requirements of the Council of The Stock Exchange £20,000,000 nominal of the Stock is available in the market on the date of publication of this advertisement. Listing Particulars will be circulated in the Exel Statistical Services and copies may be obtained during normal business hours on any weekday (excluding Saturdays) up to and including 6th November 1985 from:

S. G. Warburg & Co. Ltd.  
33 King William Street,  
London EC4R 9AS

Quilter Goodson Company Limited,  
Garrard House,  
31-45 Gresham Street,  
London EC2V 7LH

and  
Peachey Property Corporation plc,  
19 Sloane Street,  
London SW1X 9NE

until 24th October, 1985 only, from  
The Company Announcements Office,  
The Stock Exchange,  
Throgmorton Street, London EC2P 2BT

23rd October, 1985



# New London Representative Office Opens Today



Aoba Castle, symbol of Sendai

## The 77 Bank.

The 77 Bank is the official title of one of Japan's most respected regional banks. The name, like our history, dates back over a century when we became the 77th national bank chartered under the Meiji Government.

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With the opening of our new Representative Office in London, we are now ready to serve overseas clients with a wide range of important services relating to Japan.

London Representative Office

Chief Representative: Motoyoshi Sato

7th Floor, Northgate House, 20/24 Moorgate, London EC2R 6DH

Phone: 01-628-5506 Telex: 933055 BOSSLD G

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Incorporated in Japan with Limited Liability

Head Office: 3-20, Chuo 3-chome, Sendai, Miyagi, Japan

Int'l Division: 14-11, Ginza 4-chome, Chuo-ku, Tokyo, Japan Phone: 03-542-8941 Telex: 252-4710

## UK COMPANY NEWS

### Pyke is third purchase in ten days for Hillsdown

By Frank Kane

Hillsdown Holdings, the fast growing food, furniture and office equipment group, yesterday announced its third acquisition in ten days with the £17.5m agreed purchase of Pyke Holdings, the catering butcher.

Mr Harry Solomon, joint chairman of Hillsdown, said yesterday that Pyke represented a "natural fit" with his company's existing food interests. He regarded Pyke's business as "very much a growth area."

Pyke supplies major hotels, restaurant groups and airlines, and has gained from the trend towards "fast food."

The terms, which have been recommended by Pyke directors who have pledged their 14.1 per cent holding for the deal, are 15 new ordinary 10p shares in Hillsdown for every seven in Pyke.

Taking Hillsdown at a price of 178p, this values Pyke at £17.58m, or 37p per share. That was a premium of 26p over Pyke's opening price yesterday.

Mr Adrian Bazar, a Pyke director, said that his would be a much better company with Hillsdown behind it. He added that Pyke would benefit from the rising Hillsdown share price, which has not fallen below 143p since the public flotation of 100p shares last February.

As is the usual policy with Hillsdown acquisitions, the existing chairman, Mr Peter Garner, and his management team will continue to operate the business as a separate entity within the parent group.

Hillsdown considers that the new acquisition will complement its F&C meat company and Harris bacon curing division. It believes that the deal will enable

Pyke to supply its customers "with high quality products at the most competitive prices" and significantly benefit the strategy of directing its resources towards the production of processed products.

In the year ended September 30 1984, Pyke made pre-tax profits of £1.16m on turnover of £34.1m, a rise of 85 per cent over the comparable period. It has had a consistently good record of profit improvement since the losses of the 1979-80 year.

Hillsdown's meat processing and distribution activities are the major part of its total business. In the 1984 year they accounted for £20.4m of its aggregate sales of £383.2m, and £10.9m of the £23.6m operating profits.

See Lex

### U.S. coal deal starts Burnett restructure

By Frank Kane

Burnett & Ramothshire, the hard-pressed coal mining and property group yesterday took a major step towards its long-awaited reconstruction with the announcement of its coal mining restructuring in Pennsylvania, U.S., and the disposal of its interests in the Gheat Coal Terminal in Belgium.

Mr Eric Grayson, the group chairman, said that the U.S. deal in particular had represented the biggest hurdle for the group, which has had its shares suspended since last July and has been in talks with its bankers on far-reaching plans to remove its potentially crippling level of debt.

The Pennsylvania agreement involves the release of B & R from its obligation to pay minimum annual royalties of \$7.5m over the next 20 years and a modification of the lease under which it operates the U.S. coal mines.

In return for this release, B & R is to return the ownership of its West Virginian operations — Kingwood Mining and Allegheny Mining — to the original private vendors of the PPS Coals concern, which held the U.S. operations. These were acquired by B & R through its Minicorp subsidiary in 1982.

The deal also involves the payment of a "lease amendment agreement" of \$8m to the vendors, bringing the total price for the release agreement to \$9.5m. This is to be repaid in instalments until 1992 at commercial rates.

B & R is to continue with coal operations in Pennsylvania, which are now confined to one site in Somerset County. This will involve the upgrading of its coal washing facilities in order to produce low sulphur coal to meet U.S. acid rain legislation.

To provide for the extra working capital that this will require, an additional secured bank facility of \$10m, guaranteed by B & R, has been arranged with a consortium of banks. This facility also covers certain of PPS's capital requirements and certain payments to be made under the terms of the restructuring.

As part of these arrangements, \$15m of PPS's outstanding bank debt of \$22.5m has been assumed by the two West Virginia coal companies.

The Gheat Coal Terminal has been sold for the nominal sum of Bfr 1 against a book value of about £11m. By the sale, B & R and an associate have been released from guarantees in respect of borrowings amounting to \$5m. The purchaser is the Belgian Compagnie Belge de Manutention.

REA HOLDINGS is merging the London container operations of its subsidiary, Container Parks and Services, with those of Conserv Engineering, a wholly-owned subsidiary of Union International.

### Trafford Park merger agreed

By William Cochrane

Trafford Park Estates, the Manchester-based property company which revealed itself as a takeover candidate in August, agreed merger terms with Wingate Property Investments yesterday, in a deal which implies that Trafford Park is looking for management succession.

The deal is to be effected by Trafford Park bidding 61 of its shares for every 100 Wingate, giving the latter 44 per cent of the combined equity, but five of the Wingate directors are to be invited on to the Trafford Park Board, including Mr W. R. Smith as deputy chairman and Mr Stephen Wingate as managing director.

Mr Neil Westbrook, chairman of Trafford Park, said yesterday that the Wingate team had "expertise, unquestioned ability" in property.

"Two of us at Trafford Park are getting older," he said. "Replacements would have had to take place in a year or two and the company has expanded very considerably in the past 10 years."

Mr Wingate, who sold his original Wingate Investments to Wimpey in 1976 and bought back part of the company in 1979, said last night that the merger would give the companies a bigger base to retain created property investments like the £15m office and retail building which Wingate has just completed next to the Empire in Leicester Square in London's West End.

Peel Holdings, the out-of-town retailer developer which was known to be talking to Trafford Park in August, was mulling over

the situation yesterday. Its shares are capitalised in the market at £60m against about £25m for Trafford Park and just under £20m for Wingate.

It controls about 8.5 per cent of the Trafford Park equity, claims to speak for another 2 per cent and does not rule out the possibility of making a pre-emptive bid for Trafford Park alone although the latter's shares, down 2p at 253p yesterday, are still 36p ahead of their level before a rise provoked the holding announcement last August.

Wingate closed yesterday at 140p, up 35p on the day. Mr Westbrook commented that the merger terms broadly reflected projected contributions to assets for the two constituents when development potential was included.

### OTT buys Palm Line from Unilever

Ocean Transport and Trading has bought Palm Line, a shipping company operating scheduled cargo services to West Africa, from Unilever for an undisclosed sum.

But the deal will not involve the transfer of any assets. Ocean has purchased the Palm Line share in the trade to West Africa as a means of rationalising a service in which business has become very volatile.

The charter shipping activities of Palm Line will continue under the management of U.A.C. part of Unilever. Ocean is involved in the West African trade through its Liverpool-based businesses of Elder Dempster Lines and Guinea Gulf Line. It will now be able to put two extra ships on the route, where it currently has four.

### Lee International agrees cash bid for Humphries

By David Goodhart

Lee International, the world's largest supplier of lighting equipment to film and television, yesterday announced an agreed cash offer for Humphries Holdings valuing the company at £2.5m.

Lee had planned to join the stock market later this year with a value of more than £100m but following this deal it has been postponed until next March or April.

The offer of 33.5p a share — which represents a 20 per cent premium over Monday's mid-market price of 28p — has been accepted by BET, the international services group, which holds 75 per cent. BET said the sale of Humphries was in line with its strategy of concentrating on wholly-owned subsidiaries which have market leadership potential.

Humphries, a developer and printer of coloured film, made an attributable loss of £2.46m and a taxable loss of £512,000 in the year to end-March 1985 on turnover of £14.52m. Its shares rose 4p yesterday to close at 33p.

Lee both manufactures and rents lighting equipment and is also the UK's largest operator of film stages — owning Shepperton studios. The company owns 50 per cent of Media Technology International, a USM-quoted company which made pre-tax profits of £2.05m last year on turnover of £5.2m. Lee itself — currently unquoted — made a profit to May 1985 of \$6m (including a post-tax contribution from Media Technology) on turnover of £24m.

Humphries' existing management structure will remain in place for the foreseeable future.



## HELP CORDA DETECT HEART DISEASE BEFORE IT'S TOO LATE

It was too late for over 318,000 people last year; that's about half of all the deaths in the UK.

Corda is researching into ways of detecting heart disease painlessly before it causes symptoms and threatens life.

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measures make sense; and that can mean a reduced risk of death or incapacity.

However, we need your help.

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I enclose £\_\_\_\_\_ as my contribution to help control heart disease.

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Address \_\_\_\_\_

Signature \_\_\_\_\_

Please send details of how I can donate by Deed of Covenant ☐  
Please debit my Visa/Access/American Express Account No. \_\_\_\_\_  
Please tick if receipt required ☐



**CORDA**  
the heart charity

NEW ISSUE

This announcement appears as a matter of record only

October, 1985

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Shearson Lehman Brothers International

Swiss Bank Corporation International Limited

S.G. Warburg & Co. Ltd.

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34  
International Finance  
**DAIWA**  
SECURITIES

**BRITISH FUNDS**

Table with 3 columns: Fund Name, Price, and % Chg. Includes funds like "Shorts" (Lives up to Five Years), "Five to Fifteen Years", and "Over Fifteen Years".

**AMERICANS - Cont.**

Table with 3 columns: Fund Name, Price, and % Chg. Includes funds like "AMERICAN FUND", "AMERICAN STOCK FUND", and "AMERICAN BOND FUND".

**AMERICANS**

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**LONDON SHARE SERVICE**

**BUILDING, TIMBER, ROADS - Cont.**

Table with 3 columns: Company Name, Price, and % Chg. Includes companies like "BAXTER", "BAXTER GROUP", and "BAXTER INTERNATIONAL".

**DRAPERY & STORES - Cont.**

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**ENGINEERING - Continued**

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**HOTELS - Continued**

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**MINES—Continued**

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Continued on Page 30

## AMEX COMPOSITE PRICES

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**Nasdaq national market, 2.30pm price:**

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Continued on Page 37

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# FINANCIAL TIMES

## WORLD STOCK MARKETS

### WALL STREET

## Boardroom figures provide lead

PROFIT RESULTS from major companies replaced speculative situations as the centre of attention on Wall Street yesterday, writes Terry Byland in New York.

Technology issues strengthened following the latest results from Digital Equipment and motor issues edged higher after General Motors disclosed higher earnings for the third quarter. Beneath these special features, the stock market remained unsettled by the uncertainties over the federal debt ceiling and the pace of the U.S. economy. Bond prices moved higher, as traders hunted for stock in a market now very short of federal paper.

At 3pm the Dow Jones industrial average was up 3.24 at 1,367.38. The market was unimpressed by General Motors' profit figures which fell short of some analysts' predictions. After moving erratically, GM dipped 3/4 to \$88. However, the other Detroit car makers, also due to report progress shortly, remained firm. Ford, at \$47 1/4 added 3/4, and Chrysler, still plagued by a strike, added 3/4 to \$38 1/4.

Digital Equipment bounded ahead by \$3 to \$109 1/4 after announcing third-

quarter results, which had been well forecast by the company. Digital's reference to good overseas markets helped the rest of the computer sector.

TBM gained 1 1/2 to \$120. Burroughs \$14 to \$56. NCR 5 1/2 to \$34 1/2 and Honeywell 5 1/2 to \$60 1/2.

Minnesota Mining & Manufacturing shaded by 3/4 to \$78 1/2 after the results. Others responding to trading statements included Ingersoll-Rand, down 3/4 at \$49 1/2. Consolidated Edison, up 1/4 at \$34 1/2, and Fieldcrest Mills, 1 1/2 higher at \$29 on sharply higher earnings.

In the banking sector, the reporting season was rounded off by Mellon, up 3/4 at \$47 1/2 after announcing a profits gain below its rivals.

Southland Royalty, the Texas energy company, added 3/4 to \$17 1/2 after Burlington Northern announced an unsolicited tender offer at \$17. Burlington's move came shortly after Southland announced a restructuring plan, and Wall Street expects the Texas concern to resist Burlington's offer. Burlington fell 1 1/2 to \$82 1/2.

Standard Oil of Ohio (Sohio) jumped 1 1/2 to \$51 1/2 in heavy turnover, with the arbitrageurs still convinced that British Petroleum will use a \$6.5bn credit line to buy out the 45 per cent of the equity in Sohio not already owned by the British group.

Also inspired by hopes of a move from across the Atlantic, Chesapeake-Pond's added 3/4 to \$42, with more than 1m shares traded as hopes resurfaced of a bid from Unilever, the Anglo-Dutch detergents and animal foods group.

But bid speculation in the retail sector died away as the arbitrageurs concentrated on the planned leveraged buyout

of R.H. Macy. At \$63 1/2, Macy stock edged up by 3/4 but stayed well short of the \$70 a share offer proposed by the management, which Wall Street expects to succeed.

ITT, which has been favoured as a possible leveraged buyout candidate, edged up by 3/4 to \$35 1/2 in busy trading. Among consumer stocks, Beatrice Foods, at \$44 1/2, eased by 3/4 still heavily traded as Wall Street waited for either an increased offer from Kohlberg Kravis, or a rival bid.

However, Singer Manufacturing, after denying bid rumours which boosted the stock earlier this week, shaded by 3/4 to \$38 1/2.

After announcing a \$700m sale of its merchandising operations, Household International gained 1 1/2 to \$39 1/2.

The domestic air carriers continued to edge higher while awaiting results. American, which issued its trading statement last week, added 3/4 to \$40 1/2, while Delta added 3/4 to \$40 1/2 and Eastern 5/8 to \$38 1/2. Pan American eased by 3/4 to \$8 1/2 in subdued turnover.

Credit markets appeared unimpressed when Mr James Baker, Treasury Secretary, warned of what could happen when the borrowing authority of the Federal Financing Bank expired early next month. Bond prices retained early gains of half a point or so.

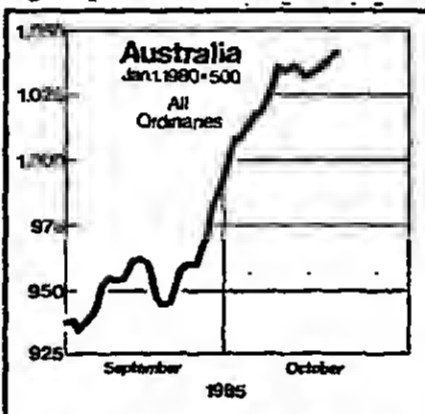
Short-term rates shaded lower despite federal funds at 8 1/2 per cent - and \$1bn in customer repurchases by the Federal Reserve.

### AUSTRALIA

## Selective course to new peak

THE CLIMB to new peaks continued for the second consecutive trading session in Sydney yesterday. The All Ordinaries index closed 1.5 up on an all-time high of 1,042.4.

As on Monday, dealers said gains among selected issues - and a shortage of scrip - were largely responsible for higher prices. Industrials were in de-



mand but in general trading was flat and volume low.

BHP, which eased 4 cents to A\$8.82, was the most active share after a series of late special sales boosted its turnover.

Other active included CSR, down 3 cents to A\$3.73. Bell Group, 10 cents up at A\$11.50, CRA, which shed 6 cents to A\$5.82, and Western Mining, down 5 cents to A\$5.68.

Elders DXL slipped 10 cents to A\$4.00 after unveiling its takeover bid for Britain's Allied-Lyons on Monday.

Elsewhere, banks were generally lower. ANZ Group slipped 8 cents to A\$5.12, and Westpac was down 4 cents to A\$5.16 while National Australia held steady at A\$5.04.

Among property stocks Lend Lease added 30 cents to A\$7.00. Howard Smith was also 30 cents firmer at A\$8.20. Mines closed with small gains as did companies with an interest in the Papua New Guinea ore deposit following a report of higher gradings.

### SINGAPORE

PROFIT-TAKING trimmed most of Monday's gains over a broad front in Singapore.

The Straits Times industrial index closed 6.79 down at 770.88, compared with the previous session's 9.31 gain.

Among active Bedford shed 3 cents to S\$1.67, Raleigh lost 8 cents to S\$3.64 and City Development added 1 cent to S\$1.19.

Banks and financial stocks generally followed the declining trend. DBS was 5 cents down at S\$5.75, Malay Banking also slipped 5 cents to S\$5.85 and OUB was 3 cents lower at S\$2.75. However, OCBC was steady at S\$2.45.

Industrials were mixed to lower. Keppel Shipyard lost 6 cents to S\$1.23, Singapore Press closed 1 cent down at S\$1.85 and Cold Storage was 6 cents down at S\$3.14.

### SOUTH AFRICA

DIAMONDS provided some sparkle to an otherwise weaker Johannesburg although trading in golds picked up later as the bullion price began to rise.

Diamond share De Beers closed 60 cents higher at R14.50, but gold mines finished generally mixed to lower. Driefontein was R1.25 down at R31, Gold Fields SA was steady at R35 and Buffelsfontein added R1 to R77. Mining financial Anglo American Corp was 50 cents down at R34.50.

Elsewhere, AE & CI was 10 cents down at R8.10, and Barlow Rand shed 30 cents to R17 while Tongaat Hulett, at R8.20, and SA Breweries, at R7.45, were steady.

Banks traded lower, with Barclays 30 cents down at R17 and Nedbank, ahead of results today, losing 45 cents to R10.75.

### EUROPE

## Rate cuts boost Brussels

A FURTHER softening in domestic interest rates yesterday gave investors in Brussels the incentive to chase a broad range of leading issues, pushing many to record levels.

The Belgian SE index staged its third major advance this month to reach a new peak with a 17.35 rise to 2,715.50.

The return to power of the centre-right coalition Government earlier this month gave the market renewed confidence, and yesterday's small cut in the rate for two and three-month Treasury bills provided another spur to activity.

Among banking issues, Générale de Banque added a further Bfr 110 to Bfr 4,600, and Kredietbank advanced Bfr 180 to Bfr 9,890.

Trading was heavy among holding companies, which the market believes will benefit strongly from a general move to lower interest rates.

Frankfurt dealers took the view that the market needs time to settle after the recent hectic activity and allowed leading issues to edge lower in thin business.

Deutsche led banks lower to close off DM 9.50 at DM 689.50 while Dresdner shed DM 3.50 to DM 337 and Commerzbank DM 2 to DM 257.50.

In the automotive sector, VW lost DM 3.40 to DM 344.50, BMW DM 5 to DM 497 and Porsche DM 25 to DM 1,343.

AEG rose a further DM 5.30 above the DM 170 takeover offer from Daimler to close at DM 205.30.

The move followed the announcement that exchange authorities may launch an investigation into trading of AEG shares prior to the Daimler bid last week.

Falls in the bond market were recorded during active business. The Bundesbank bought DM 89.3m worth of domestic paper compared with sales of DM 17.6m on Monday.

The expectation of favourable profit statements from Swiss banks stirred confidence in Zurich and gave rise to improvements among several key sectors.

Bank Leu, which has been on a steady upward path in recent weeks, moved against the trend and eased SwFr 25 to SwFr 3,725 while among the improvers Union Bank added SwFr 50 to SwFr

4,580 and Crédit Suisse SwFr 35 to SwFr 4,580.

Paris recouped some early losses but closed easier in thin trading. Traders attributed the dull tone to capital increases, listings on the second market and bond issues which are draining the market of funds.

Trading in Amsterdam was highly selective. Investors lent support to certain insurance, international and industrial issues, but the broad range of stocks was thinly traded.

The tempo eased in Milan, and most leading issues closed little changed as investors awaited further indications on the outcome of Italy's political crisis.

Interest-rate hopes inspired Stockholm investors to return with international traders also present for most of the session.

### TOKYO

## Worry over yen halts advance

CONCERN about the yen's future course against the U.S. dollar and the level of domestic interest rates weakened trading in Tokyo yesterday, writes Shigeo Nishitani of Jiji Press.

Large steel, shipbuilding and construction stocks fell on a wide front. But biotechnology-related issues such as Shionogi, NEC and some blue chips gained ground.

The Nikkei-Dow market average lost 21.52 to 13,001.69 on a light volume of 282.9m shares, up slightly from Monday's 282.3m.

Losses outnumbered gains by 438 to 343, with 149 issues unchanged.

Many investors also chose to sit on the sidelines until the market steadies after its recent sharp advance. There was also worry about the possible outcome of the forthcoming emergency summit meeting of major Western powers and Japan-U.S. summit talks.

Among biotechnology issues, Shionogi gained popularity on reports that the company had been authorised to import human insulin. It soared Y41 on one point and closed Y14 up at Y802.

Ajinomoto, which obtained official approval to manufacture a new treatment drug, climbed Y20 to Y1,230. Yamanouchi Pharmaceutical also gained Y50 to Y3,360.

Among blue chips, NEC attracted buyers on news that it would post a recurring profit gain of nearly 10 per cent for the fiscal year ending next March, despite the slump in the semiconductor industry. The stock jumped Y80 at one stage and finished Y40 higher at Y1,130.

Other blue chips firmed in sympathy, with Ricoh adding Y40 to Y1,020, Konishiroku Photo Y13 to Y713, Canon Y10 to Y1,210 and Sansui Electric Y60 to Y835.

Heavy foreign buying pushed Sumitomo Metal Mining up Y30 to Y1,880 with 7.1m shares traded - the fifth highest figure. The rise was helped by speculation that the company would raise the gold reserve estimate for its Hishikari mine in Kagoshima Prefecture when it published its mid-term results on November 1.

Biotechnology issues and blue chips lost ground in the afternoon, and large capital and domestic stocks fell on small-lot selling. Mitsubishi Heavy Industries, topping the active list with 11m shares traded, eased Y12 to Y432. Nippon Steel shed Y4 to Y179 and Tokyo Gas Y9 to Y306.

The yield on the benchmark 6.8 per cent government bond due in December 1994 rose sharply to 5.510 per cent from Monday's 5.495 per cent.

### LONDON

A LACK of new incentives and profit-taking left London lower in dull trading.

The FT Ordinary index ended the day 7 down at 1,041.0, with banks badly hit on rumours, later denied, that Lloyds was having difficulty over Far Eastern loans.

Lloyds closed 12p lower at \$40p, and NatWest was also 12p down at \$60p.

Elsewhere, evaporating interest in bid speculation, following the Elders DXL offer for Allied-Lyons, and the threat of defence spending cuts unsettled the market. Allied-Lyons was up 4p to 214p.

Short and longer-dated gilt-edged securities were lower by up to 1/4 while medium-life issues were largely unchanged.

Chief price changes, Page 37; Details, Page 36; Share information service, Pages 34-35

### CANADA

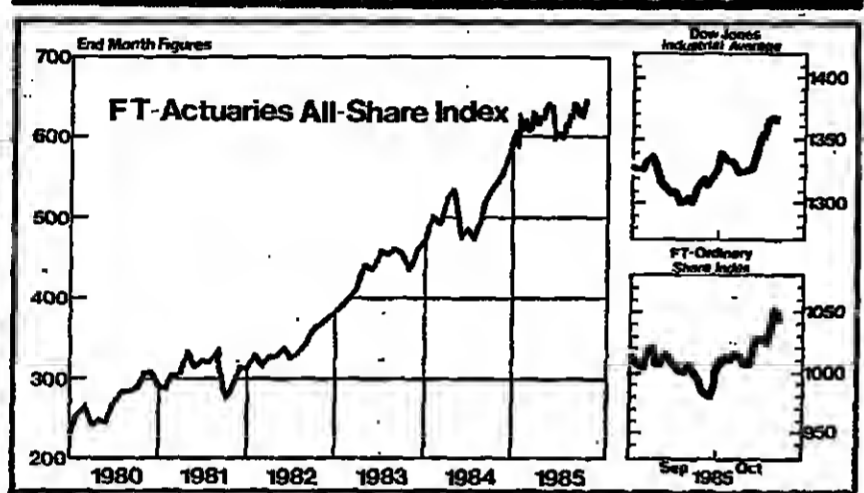
GOLDS were one of the few bright spots in a fairly active Toronto which generally traded mixed.

The higher bullion price helped golds to firmer prices. Lac Minerals traded 3 1/2 higher at C\$32 1/2, and Echo Bay was C\$4 up at C\$14.

Elsewhere, TransCanada Pipelines was down C\$4 to C\$22 1/2.

In Montreal, stocks followed a similar trend with prices trading generally mixed.

### KEY MARKET MONITORS



STOCK MARKET INDICES				
	Oct 22	Previous	Year ago	
DJ Industrials	1,367.38	1,364.14	1,217.20	
DJ Transport	683.16	658.94	541.67	
DJ Utilities	156.29	154.95	143.47	
S&P Composite	188.14	186.96	167.35	

CURRENCIES				
	Oct 22	Previous	Oct 22	Previous
(London)				
\$	2.6405	2.6365	1.433	1.434
DM	2.158	2.157	3.0825	3.0925
FFr	8.0475	8.04	11.5325	11.53
SwFr	2.168	2.165	3.105	3.105
Quadr	2.9795	2.976	4.27	4.2675
Lira	1,780.0	1,779.0	2,551.0	2,539.0
Bfr	53.5	53.4	76.65	76.6
CS	1.3847	1.3835	1.956	1.9569

INTEREST RATES				
	Oct 22	Previous		
Euro-currencies (3-month offered rate)				
\$	11%	11%		
DM	4%	4%		
FFr	4%	4%		
SwFr	9%	9%		

U.S. BONDS				
	Oct 22	Previous		
Treasury				
9 1987	100 1/8	8.75	100 1/8	8.81
10% 1992	102	9.946	101 7/8	10.02
10% 1995	102 1/8	10.093	101 7/8	10.18
10% 2015	102 1/8	10.366	101 7/8	10.44

TREASURY INDEX				
	Oct 22	Previous	Yield	Day's change
1-30	130.10	+0.36	9.57	-0.05
1-10	128.80	+0.22	9.27	-0.04
1-5	125.54	+0.03	8.73	-0.03
3-5	130.09	+0.23	9.54	-0.05
15-30	135.31	+0.89	10.63	-0.08

CORPORATE				
	Oct 22	Previous	Yield	Day's change
AT & T				
10% June 1990	101	10.10	100%	10.20
3% July 1990	83%	8.25	82%	8.43
8% May 2000	84%	10.90	84.00	10.97

FINANCIAL FUTURES				
	Oct 22	Previous	High	Low
CHICAGO				
U.S. Treasury Bonds (CBT)				
5% 32nds of 100%	77-06	77-07	76-20	76-23
U.S. Treasury Bills (IMM)				
\$1m points of 100%	92.95	92.97	92.90	92.92

COMMODITIES				
	Oct 22	Previous	High	Low
(London)				
Silver (spot fixing)	427.55p	429.80p		
Copper (cash)	£980.00	£971.50		
Coffee (Nov)	£1,646.00	£1,656.00		
Oil (spot Arabian Light)	\$27.75	\$27.75		

GOLD (per ounce)				
	Oct 22	Previous	High	Low
London	\$327.75	\$325.75		
Zürich	\$325.65	\$325.00		
Paris (fixing)	\$326.72	\$326.95		
Luxembourg	\$326.00	\$326.75		
New York (Dec)	\$330.00	\$329.40		

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